

EMBRACING CHANGE IN A NEW WORLD

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Welcome



So here we are: one year on from our first foray into the world of Virtual Meetings. In some ways things seem to be one long blur of time stretching from one month to the next – with most of us working from our desks or tables at home. And yet the last 15 months have seen a very turbulent time around the world with numerous waves of the pandemic, and a seemingly endless series of local openings and lockdowns. But as we all agree, the presence of a Covid-19 vaccine has changed the game completely. We have real hope now that the end is coming into view – albeit slowly. Last Summer it was just a question of keeping fingers crossed. Now we can hopefully see the future a little more clearly...

We at TNF have been hard at work these past few months running our online Africa Meeting in March, planning the Annual Virtual Meeting, collating this latest Journal, and laying groundwork for our regional Meetings in Q4 focusing on The Americas, The Middle East and Asia. And also, welcoming a new staff addition to TNF: yes, our dear Rachel has become a mother and her little daughter will soon be shown the ropes of The Network Forum!

In this, our 7th edition of the TNF Journal, we have some truly excellent and timely content shared by our Friends and Partners. Operational Resilience was already growing in importance a couple of years back but has risen especially high on the agenda during the pandemic: our friends at Myriad share their thoughts on this. With the relentless advance of technology, Deutsche Bank share their latest thoughts on AI and what it might mean for all of us. And the ever-erudite John Gubert shares his take on the Network Supply Chain. This is just a taste of the truly informative content enclosed and to be perused at your leisure.

We sincerely hope to be in a position to run some events in-person this upcoming Autumn, and we will be updating all of you as and when we know we can. We have had the pleasure of seeing some members from the TNF Community in London these past few weeks as lockdown has eased, and it was really great to experience face-to face contact once again. Virtual has fortunately kept all of us connected, but we all know that the day when we all reconvene in person will be a great one indeed!

In the meantime, happy reading, stay well ... and hope to see you soon.

Andrew Barman

Managing Director
The Network Forum



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Embracing Change In A New World

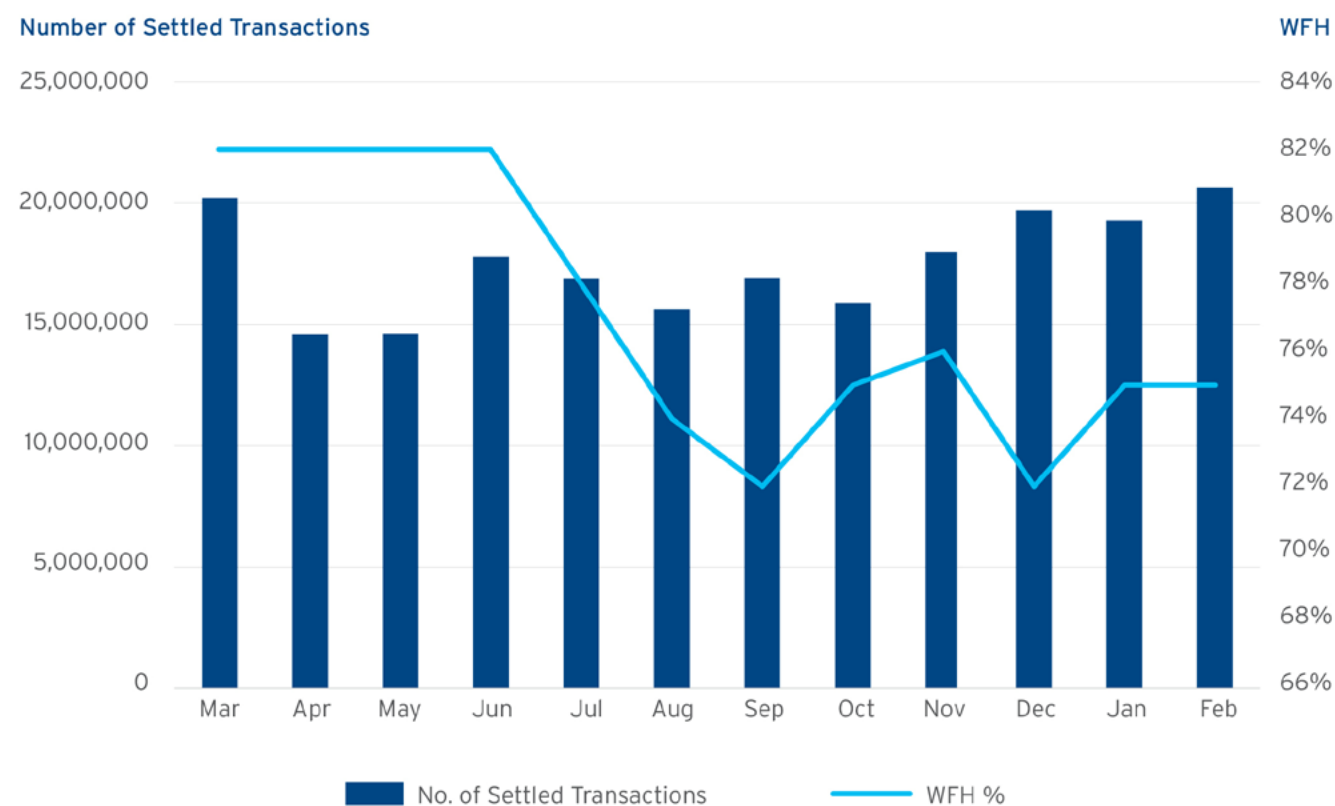
COVID-19 could have been a major crisis for custodians, but this risk was avoided thanks to a combination of digitalisation, flexibility and a transformative approach towards risk management. Chay Thurlow, Global Head of Custody Operations at Citi, outlines how the securities services industry adapted to deal with COVID-19, a once in a lifetime crisis that created a perfect storm for unprecedented digitalisation.

Near real-time adoption of contingency plans

The overnight global transition to remote working forced custodians to dust off contingency plans that few thought would ever be utilised to the levels experienced over the last 12 months. The sheer scale and urgency of this transition required agility on the part of large custodians such as Citi. "The firms who were the most successful at navigating COVID-19 were the ones who learnt to adapt fast. Red tape was dramatically reduced at many institutions to facilitate the delivery of essential items like laptops and equipment to the global workforce," said Thurlow.

ual touch points throughout the operational processes. Having a single platform also proved vital in enabling Citi to continue supporting clients during the worst of the market disruption when trading volumes eclipsed all previous records. "We have seen trading volumes increase by more than 30% in the last 12 months. However, its straight-through-processing (STP) rate was over 99% despite the widespread volatility and remote working," said Thurlow.

Other factors also helped soften the impact of COVID-19 on clients. Citi, for example, has invested a significant amount of resources into its management information platform which tracks the lifecycle of a transaction. "Our internal metrics provides us with an overview of our clients' intraday activity, from settlement tracking, fails management and exceptions, through to asset services and tax activities. With all this information at hand, we were able to help clients maintain business as usual during periods of volatility," said Thurlow. The data also enabled Citi to identify and mitigate potential bottlenecks



A historic commitment to digitalisation also meant that Citi was exceptionally well-positioned to handle the significant trading volume spikes in March and April 2020. Thurlow highlighted that the bank had been investing in the development of its common settlement platform across its custody businesses since 2019. This allowed for widespread efficiencies and removed multiple man-

in process flow, whilst also allowing for intraday transparency into the client trade lifecycle on a daily basis. "The ability to assess risk within the process through such metrics has proven to be highly effective in times of heightened stress in the environment, whether internal or external in nature, such as a central securities depository (CSD) outage for example," added Thurlow.

Sweeping digitalisation enhancements are also being implemented in areas such as client on-boarding. In the immediacy of COVID-19, the rollout of digitalised client onboarding was accelerated. "The process is now supported by an electronic workflow platform where all on boarding activities will take place, and electronic signatures will be facilitated by DocuSign. Our workflow platform also features a fully digital storage system, where paperwork submitted by clients is stored and labelled centrally, eliminating the need to ever resubmit a form," said Thurlow. Moving forward, the bank is looking to further enhance its onboarding capabilities. "Our investment in internal applications which digitize aspects of the information gathering process has allowed us to simplify and automate the on-boarding process for clients. This has resulted in the end to end process taking minutes as opposed to days," commented Thurlow.

A new look at risk management

Risk management processes are being re-evaluated to factor in some of the changes which COVID-19 had unexpectedly forced upon the industry. Outsourcing is one area that is likely to face scrutiny, especially as a number of markets faced logistical problems during the initial shock of COVID-19. Clients will undoubtedly be reviewing the outsourcing models at their custodians in more depth once the dust settles from the pandemic. In fact, some custodians may even revisit their outsourcing arrangements - if they were found wanting - in what could potentially lead to greater in-sourcing or multi-market outsourcing. "We do not adopt an outsourcing model for custody. Instead we have embraced near-shoring and far-shoring through our Citi Solutions Centre, which operates out of Kuala Lumpur, Dublin, Warsaw, Pune and Tampa. In contrast to other custodians who have outsourced their entire back office, we leverage our Citi Solutions Centres in cost effective locations. Having ownership of this process - as opposed to being reliant on external providers - puts us in an advantageous position," said Thurlow.

Citi itself also introduced a number of new risk controls. With so many people working remotely, Thurlow said the bank strengthened its data protection measures and cyber-security policies. "Once people started working remotely, there was a blanket ban on printing documents on personal printers. Ensuring the security of sensitive client data remained paramount within our work from home process," commented Thurlow. Similarly, Citi's already restrictive policies on USB stick usage have been further tightened since the start of the pandemic.

Risk oversight and monitoring are being intensified even further. "We are spending increasing amounts of time looking at performance metrics and developing a more granular approach to risk. We are also helping

clients obtain better insights into some of the risks they are facing," said Thurlow. "For example, we are carefully tracking client activity in order to pro-actively identify potential issues within the clients' operations. This includes increased trade fails, delayed matching rates, late claim payments or delays in client responses. This deployment of analytics to assist in potential issue resolution earlier in the trade lifecycle has been warmly received by Citi's clients, especially as the Central Securities Depositories Regulation (CSDR) will introduce tough penalties and mandatory buy-ins for trade settlement fails from next year," said Thurlow.

Numerous custodians - including Citi - are also taking a step further and looking to incorporate artificial intelligence (AI) technologies into these solutions so that they can develop predictive analytics tools which can prevent settlement fails from happening altogether at clients.

Being a custodian in the new normal

COVID-19 has taught custodians a number of invaluable lessons. Firstly, the industry is and remains resilient, something that is made possible by custodians being flexible and innovative during the early stages of the crisis. The industry's willingness to digitalise core operations has also played a vital role in safeguarding market stability and improving client experiences. Many custodians are now making structural improvements to their risk management processes with a stronger focus on monitoring and analytics.

It is clear that the pandemic has had a significant impact on custody and client operations. Whether these changes become permanent remains to be seen. Nevertheless, the custodians who are willing and able to embrace change and adapt to the new normal will be ones that thrive moving forward.

Chay Thurlow,
Global Head of
Custody Operations,
Citi



Unique Network Management software

...the way ahead

MYRIAD centralises and consolidates Network Management data. It delivers enhanced security, improved access to data and greater automation, providing better organisation and execution of routine but critical tasks. Multiple departments and individual members of staff can be granted appropriate views and functional permissions.

MYRIAD moves your Firm away from manual and fragmented ways of working. Fully configurable, it delivers performance measurement, due diligence capability, cost management, issue tracking, process control and reporting upon all data held within the system. This directly aids cost reduction, improves operational efficiency and provides all-round transparency supported by a full audit trail.

How Continuous Risk Assessment Underpins Operational Resilience

A key theme – perhaps the overriding theme – for Financial Services in the last 15 months has been Operational Resilience. An observer might suggest that low levels of noise on this topic reflect the Banks' keenness to avoid scrutiny, by not raising flags about the challenges they have faced.

Whilst working from home has been a boon for many people, personally and professionally, it is undeniable that systems and procedures have been stretched. Few Institutions have not wondered whether 'things' could and should be better – 'things' being defined as data security, quality of communication, immediate access to data (indeed data and access that persists through time), as well as more sophisticated systems, processes and procedures, which both preserve the integrity of that data while providing an opportunity and a means to keep it current.

The concept of Continuous Risk Assessment (CRA) is not new, but it has been possible to achieve for many years. It is but one part of Operational Resilience. Using email and excel spreadsheets has never been the way to go, but many are now contemplating a concerted effort to move away from this far-from-riskless approach. The genesis of this effort, as always, is good, clean, consolidated data which acts as a basis for CRA. Having a library of templated documents and procedures to call upon is the next step. Initiating a process, almost certainly as part of a wider programme, can all be managed in the same platform and ideally this should be done at the outset of any new relationship. It can of course be introduced, at any time, as an upgrade to current capability.

Clever platforms then extend that capability beyond simple drafting and authorisation, into secure publication and receipt of responses, including 'consumption' and scoring of those responses. Sophisticated processes permit perpetual assessment to take place, and by creating the ability to mandate a rolling responsibility on a Provider to submit updates, such updates can have an immediate impact on SLA management, performance reviews and provide alerts and updates directly into the risk management function.

The proposed Digital Operational Resilience Act (DORA), put forward last year, will be another consideration for Network and Vendor Management teams aligned with Operations and Risk. This has slipped by, unnoticed by many. The EU is seeking to impose tighter controls around new incident responses and reporting, and improved third-party risk requirements and monitoring for firms operating within the EU. Without the right systems or platforms in place, this represents a very serious challenge from both regulatory and operational standpoints. Addressing the latter in a coherent way will undoubtedly help address the former. This also brings aspects of EU regulation more in line with some of the OCC's guidelines in the United States.

DORA heightens the need for a coherent data strategy that naturally precedes a digitalisation strategy. To satisfy that need, systems must be robust, maintainable, extensible and secure, able to evolve and deliver that functionality. The pace of change, technically and functionally, is best achieved using platforms like MYRIAD to underpin Operational Resilience, providing the framework for Rolling Due Diligence, Continuous Risk Assessment and Rolling Risk Reviews.

Simon Shepherd

CEO,
MYRIAD Group
Technologies Limited



Unleashing The Potential Of AI In Securities Services

Artificial intelligence (AI) is fast becoming an essential tool for the post-trade securities services and custody industry. As an increasing number of participants look to deploy the emerging technology to improve a wide range of processes, Deutsche Bank's new whitepaper provides an introduction to AI in the field, including a rundown of use case examples, insight into important governance considerations and a series of key recommendations to ensure best practice is followed.

Artificial intelligence (AI) continues to unlock new growth opportunities and competitive advantages for a diverse range of organisations and their stakeholders – and is being used for everything from better understanding diseases to creating a fairer, more robust financial market. A new whitepaper from Deutsche Bank paper explores how AI is being used in one specific area of financial services: post-trade securities services and custody, where the technology is already being deployed for three broad purposes:

- To identify historical trends;
- To discover up-to-the-minute trends using real-time data and analysis;
- To predict future trends using a mix of both historical and real-time data.

While the scope of possible applications for AI technology in this space is not yet fully explored, a number of compelling use cases have already emerged, including refining client segmentation and avoiding settlement failures. The benefits include speed, efficiencies and other improvements to the existing settlement lifecycle, as well as new roles and employment opportunities for those that implement and maintain the AI technology.

Tapping this transformative potential of AI, however, requires careful thought and preparation. As digital applications become more powerful and widespread, good governance and effective controls will play an increasingly important role.

This Guide is intended to help industry participants – from broker dealers and global custodians to asset managers – best navigate this emerging landscape to better harness the full value of AI. It shines a spotlight on the following topics:

1. AI in securities services
2. AI use cases
3. Learning types, algorithms and governance
- 4 Key recommendations and conclusions

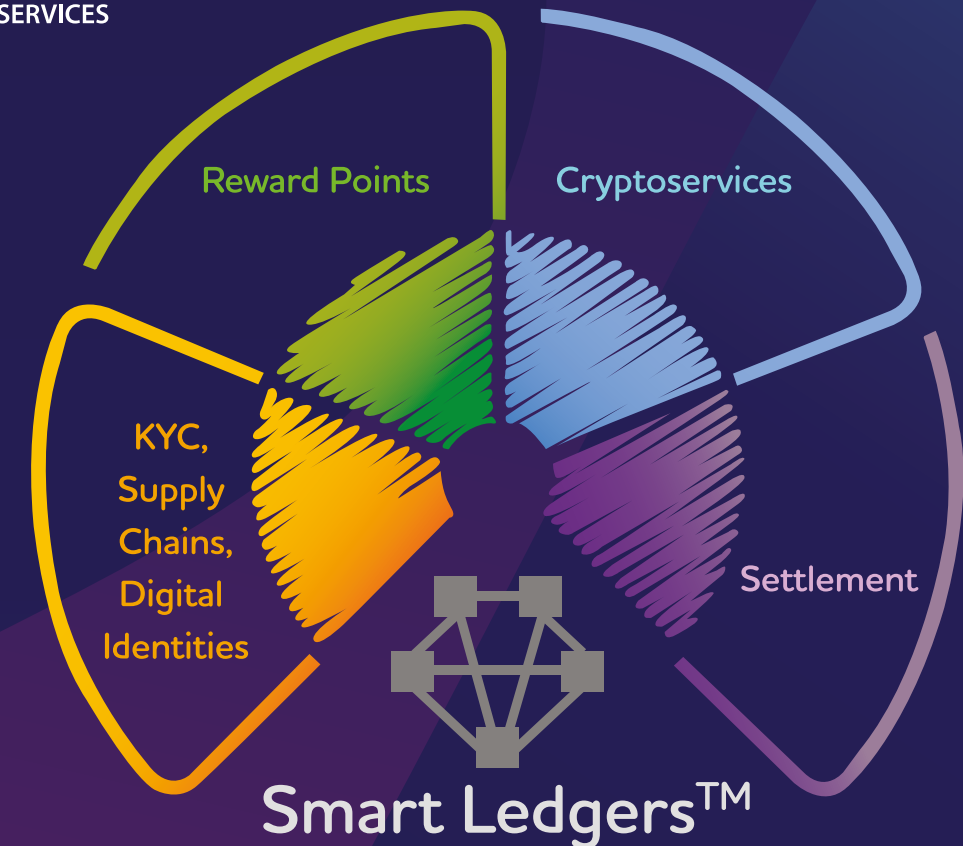
To read the full Guide, please visit: <https://corporate.db.com/publications/White-papers-guides/>

Boon-Hiong Chan, Global Head, Securities Market Development & Technology Advocacy, Deutsche Bank Securities Services

Marcus Storm, Head of AI Products, Product Management, Deutsche Bank Securities Services



Deutsche Bank



We don't just think blockchain.

We think agent of change in decentralized technology.

Where every participant, be it within an organization or a larger ecosystem, can play a significant role in creating a reimagined smarter business process .

Quartz, The Smart Ledgers™, are a set of enterprise DLT solutions predicated on co-existence, integration, and interoperability.

A startup incubated in TCS, Quartz set out to deliver the network effect of ecosystems communicating with each other seamlessly. Our ready-to-use business offering, **Quartz Smart Solutions**, can jump-start organizations looking at implementing applications on distributed ledger technology. Offering interoperable decentralized solutions, the **Quartz Gateway** helps move data from one blockchain ecosystem to another just like any messaging system. More importantly, it makes sure that the integrity of a blockchain system remains intact, something that most enterprise players have been looking to achieve. We also help our clients build their own solutions on blockchain platforms combining our Smart solutions as per their choice, using the **Quartz DevKit**, which is an intuitive, low-code solution.

In short, we are way past the hype around blockchain and have moved beyond promise to production, helping our customers show real, meaningful results, and drive change.

Write to us at quartz.tcs@tcs.com for a demo.

Living With A Complex Supply Chain

In the early days of my career, the network manager looked at their local custodian and their relationship with the indigenous CSD, if one existed, and perhaps also the local Stock Exchange. They looked at regulation in a cursory fashion, mainly in relation to US SEC 17F5. These days the supply chain encompasses the local custodian, all indigenous CSDs and CCPs as well as all trading venues and reporting vehicles, the payments system, counterparty and legal risks, geopolitical risks, the technology of the securities eco system and any other item that could be relevant to the key tenet of the market, namely safety of assets.

In a pandemic engrossed world, the question has to be how to manage such a diverse chain, what are the biggest risks and what are the potential mitigants?

So how do we manage this diverse and complex supply chain? We cannot adopt longer term either the contingency processes that travel and interface constraints have created or the traditional structure we had pre-Covid. Elements of today's modus operandi will prevail but they will not become a substitute for on site, in depth analysis of suppliers and their broader eco-system. But the teams around due diligence will need to change as will the methodology. I suspect the preparation phase will grow dramatically, partly due to usage of standard due diligence packages but also in terms of initial analysis by a broader team to ascertain the key issues to be assessed on a subsequent visit. This team needs the expertise of the key stakeholders, who need to then agree the composition of the on-site due diligence team. This should reflect the risks identified and is unlikely to be composed simply by traditional network executives for, in areas such as technology or risk, it will need specific expertise they are unlikely to have.

What are the biggest risks? They are both financial and reputational. A few years ago, when looking at the sector from a Private Equity perspective, we were more concerned about wipe out risk by association. One has only to look back at some of the fallout from Enron, and especially the fate of Arthur Andersen LLP, to gauge the extent of such risk. How would governments in many parts of the world react if a major indigenous financial powerhouse defaulted, creating acute domestic political instability? Would they not look at the pool of custodial assets? Could they freeze them? Could they seize them or the corporate activity they reflect? Could they introduce penalties that exceeded the underlying value? One should not exclude extreme geopolitical risk

in the current climate where governments appear quite relaxed about over-ruling contract law or international treaties. But, beyond wipe out risk, we need to look at more mundane risks, such as theft through cyber-crime, operational misdemeanours at the agent, conflict between local law and legal agreements, opacity of finality in some jurisdictions and processes driven by custom rather than formal arrangement. Performance risk remains important with the rising rate of settlement fails and the emergence of new instruments with unique characteristics and often only virtual substance.

So, what are the mitigants? The first level of control has to come with client documentation. The key question is how it handles event risk. With crypto and some new securities operating outside traditional markets the legacy legal documentation needs careful analysis and amendment. The second level of control is with the network manager. It is difficult enough gaining sound knowledge of the one hundred or so equity markets that are followed by the major firms, but adding to these new instruments whose legal foundation is at best unproven and at worst non-existent, is complex. The network manager, or their team, have to understand these complexities and formulate a strategy to manage the resultant processes. In reality the main mitigants to the new risks are knowledge and tenacity. Knowledge of the markets, instruments and eco system with an appreciation of their challenges, benefits and failings. And tenacity to gauge what is unspoken or lacks logic. The old network manager was a fount of knowledge; the new one has to be that with a keen eye for the anomaly, the gap or even the intentional disinformation (or perhaps intentional constructive ambiguity).

So, in summary, the new network manager will have the knowledge base of their predecessors over a broader coverage but with a much greater ability for in depth analysis, discovery through dialogue and for clear assessment of their assets held. And they will need to be team players across disciplines dealing with a broad range of experts and reporting to senior risk managers, for they and their peers' jobs are at risk if there is any material error. Understandable, as the replacement cost of a modest portion of our assets in custody far exceeds the net worth of our organisations.

John Gubert

Chairman
GTL Associates



Addressing The Needs Of Modern Securities Services With Digital Asset



Emerging technology is driving change across all industries and capital markets are no exception. From digital transformation expectations to monitoring competitive threats from new entrants, capital market players need to carefully consider where to invest technologies to maintain the competitive edge. Even as you strive to adapt, you must still seek operational and business efficiencies while bringing new products to market. Too often, outdated and siloed systems stand in the way - creating a bottleneck to change and restricting innovation.

For capital markets, one of many struggles is that each member of the pre or post trade value chain currently uses different technologies, and stores data in different formats. This duplicates effort and cost; and it's sequential. Today, every player across the post-trade process is required to check and enrich data about the trade, matching and reconciling it with their counterparties before instructing the next participant in the chain. Most interactions between firms are executed using bilateral, message based communications, which lacks transparency and reliability.

Additional common challenges in capital markets include:

- **Complex workflows**
Many products cannot be delivered by a single institution; requiring the orchestration of many parties and systems to deliver to customers.
- **No common data model**
For distributed straight through processing to work, you need to have a common data model. Currently

assets and workflows each have their own data models. All of the different market players that need to connect with the various systems are using different technology - reliant on proprietary vendors or their own custom in-house build.

- **Heterogeneous Technologies**
Each party in capital markets typically uses multiple different technologies within their operations; and no two entities are alike.
- **Limitations of bilateral messaging**
Traditional messaging limits visibility and creates data silos among participants of the multiparty workflow, and hampers speed the ability to troubleshoot.
- **Manual Reconciliation**
Costly and time consuming work slows critical processes and creates risk.

Daml driven systems drive smarter solutions to solve common challenges

Digital Asset, creators of Daml, a multi-party application platform, is on a mission to create the global economic network of seamlessly interconnected businesses. Digital Asset created Daml to help companies gain a competitive advantage by automating processes across virtual, shared systems of record. Solutions built with Daml cut across organizational boundaries by connecting the physical systems of different stakeholders into a virtual, shared system of record. For capital markets, this means financial institutions can offer their customers instant settlement of payments without migrating all systems to a single vendor.

For capital market participants across the entire pre and post-trade value chain, Daml presents a lot of great opportunities.

- **Enable connected and scalable market networks**
Broad market networks are inefficient, operationally constrained and limited to narrow assets / types of value.
- **Lower operating cost and risk on existing products**
Growth in existing products and services is stifled by high, often fixed, operating costs and processes that

involve unnecessary risk and excessive use of capital. Use digitized end-to-end processing to keep systems in sync, validate market rules, and know the status of workflows and transactions at any time.

Develop rapid new products and services

New product / services are blocked by a lack of efficient developer tools and coding that involves a lot of unproductive, undifferentiated code - resulting in high cost, low ROI and lengthy go to market timelines

Get to market faster

Become more competitive and drive revenue by quickly launching new products, with technology that is simpler to create and deploy on top of your existing stack. And, as business needs evolve, Daml's portability makes it easy to engage with new partners and facilitate growth.

Propel STP+ with integrated workflows

Streamline processes across asset classes or functions and with internal partners or external clients and counterparts. Mutualized workflows allow multiple steps to happen concurrently, creating efficiency and reducing cost.

Improve transparency and accuracy

Work from a single, real time source of truth, removing ambiguity and eliminating the need for costly, duplicative reconciliations among parties. For each chain of events, extract clean, structured data to drive analysis and grant permission to supervisory bodies to monitor relevant activities and confirm compliance. Daml provides synchronised real time information sharing to all parties to the trade through smart contracts, and consistent automation.

Ensure Data Privacy

Clearly defined rights and obligations, combined with fine-grained permissions, ensures that information is shared on a need to know and permissioned basis. Daml applications automatically determine which parts of workflows should be shared with other parties, eliminating the chance of the wrong person gaining access to the wrong data at the wrong time.

Facilitate market-wide efficiencies

Support regulatory changes and drive industry standardization with enterprise-grade solutions that reimagine or improve complex multi-party processes across structures and workflows. Daml supports consistent automation and execution of smart contracts by all parties in a shared workflow, delivering true interoperability.

Building a network of interconnected systems for capital markets

Is there a future for capital markets where technology allows you not only to spin up a domain or a ledger for a particular ecosystem, but also allows you to atomically transact across multiple ecosystems, sharing necessary data? We believe it is possible. Each capital market's ecosystem has an interest in real time synchronization over a particular set of data. However, for commercial competitive structural reasons, no one wants to share all of the proprietary information in their ecosystem with other ecosystems around them. Let's look at this problem through the eyes of a custodian. Today, it's a siloed workflow where, for example, local sub-custody meets market infrastructure, local sub-custody meets global custody, and where global custody meets asset managers. It is a cumbersome web of communications with numerous, back and forth touch points. Each of these are distinct and discrete communities that have a desire and interest in synchronizing in real time, over particular elements and with certain pieces of information necessary to do business.

In order to successfully deliver against the needs of modern securities services, we believe there is a real market need to have both automated straight through processing across distributed networks, whilst at the same time, retaining strict data segregations that respects the roles, privacy, expertise, and regulatory mandates of the different ecosystems. Our hope is that more market participants realize the value a mutualized approach to common workflows, shared across counterparties on a composable basis can bring to new operating models.

The future of capital markets is here today, join us!

Digital Asset

The Network Communication

The Final Countdown: firms need to have significantly advanced their preparations for Settlement Discipline Regime implementation in 2022

With just over six months to go before the implementation of the Settlement Discipline Regime (SDR) market participants need to have advanced their preparations for the regulation in time for implementation in February 2022. Here, Matt Johnson, Director, ITP Product Management, DTCC, covers some key points on SDR preparation, including where market participants should be in their preparations and how automating post trade processes pre-settlement can assist with timely settlement.

The Settlement Discipline Regime is the component of the Central Securities Depository Regulation (CSDR) that aims to improve settlement efficiency in Europe with a view to reducing risk. Under SDR, market participants will be liable to pay penalties or charges against each transaction which fails to settle under the mandated T+2 timeframe. A penalty will be charged daily based on the asset class/security type and notional value of the transaction up until the buy-in process is initiated.

Further, a mandatory buy-in process will take place for any financial instrument which has not been delivered within a specified period of the intended settlement date to fulfil settlement. Illiquid securities will be required to be bought-in within seven business days of the intended settlement date while liquid equities will be required to be delivered within four days.

What stage in their SDR preparations should market participants currently be?

By now, with eight months to go before the implementation of SDR, the majority of market participants should understand where there are

automation gaps in their post trade processes. Firms should have analysed their current level of failed transactions and understand the volume of failed transactions, how long they are failing for, and why.

The amount of time that a trade fails for is critical, as the longer the fail lasts, the higher the risk of a buy-in. This is a highly significant issue for small asset managers as many claim to have a much lower rate of fails than larger firms. However, a recent piece of analysis by a large custodian found that while smaller asset managers do have a lower rate of fails, the fails tend to drag on for longer than for bigger firms that have more resource to chase custodians or have budget/resource to rectify failed trades. The longer the trade fails for, the higher the chance of a larger fine or a buy-in.

And do you think most market participants are at that point?

The industry has made significant progress in their preparations in that most firms understand what SDR is and have a good understanding of how it will likely impact them. But there is a large gap in preparedness between the sell-side and buy-side.

Generally speaking, the sell-side is very well prepared. Many of them have spent a significant amount of time with trade associations to get a thorough understanding of what SDR will mean for from a resource and budget perspective. They have also have very established SDR strategies and a dedicated CSDR team.

While buy-side firms have also engaged closely with trade associations, from a practical perspective they don't have comparable resources to be able to spend on SDR preparations. Smaller buy-side firms need to stay engaged with their broker and custodian communities who can provide support and help them to navigate the regulation. At DTCC, we advise clients on how best to streamline their post trade processes which can assist in timely settlement.

Also critical to successful SDR preparation is that firms need inter-company engagement between front, middle and back-office functions. They all need to be aware of their respective roles and how they will interact daily to ensure they operate seamlessly when SDR goes live.

How does the level of awareness and preparation for SDR vary between in-scope market participants in different regions?

Given this is a European regulation, unsurprisingly, awareness of it is highest in this region. However, this tends to vary according to the size of the market participant - the larger the firm, the more aware and hence the better prepared they tend to be.

In the US, CSDR awareness is high. Despite being a European regulation, it will have a significant impact on US firms, particularly those with European investment strategies.

In the Asia-Pacific region, we haven't seen the same level of interest in SDR as in the US and as a result, awareness of the regulation isn't as high there. However, in some Asia markets this is because there are already established strict settlement discipline regimes in place such as in Taiwan and South Korea.

What areas of post trade preparations for SDR are causing market participants the biggest problems?

In some areas of SDR, the market is still waiting for more detailed guidance on the regulation. Trade associations have presented an open list of questions to regulators and in some cases, they are still waiting for feedback. If there is a significant disparity between a firm's interpretation of regulation and what was intended by regulators, firms may need to make significant changes to their approach.

The buy-in process is also an area which is causing concern. The regulation requires that buy-ins be initiated through a buy-in agent. Firms need to have selected and onboarded a buy-in agent by the time the regulation is implemented. If this is not done, then market participants could fall foul of the regulation.

Also of concern is that there are a small number of firms where there is a persistent lack of post trade automation which will impact timely settlement. When SDR goes live in February 2022, the firms still using manual post trade processes are the ones that will suffer the most.

What are the key post trade processes market participants should implement to avoid CSDR late settlement penalties?

To prepare for the regulation, the post-trade, pre-settlement process needs to be as automated as possible. This means using ALERT, the industry's largest database of standing settlement instructions (SSIs) so that clients have access to the most up to date information reducing the risk of settlement fails due to inaccurate or incomplete instructions. Through ALERT Global Custodian Direct, a fully custodian or prime broker managed workflow, clients can ensure that SSIs in the system come directly from and are maintained by source data providers.

By utilizing DTCC's CTM platform, clients can enrich their trades with SSIs from ALERT automatically through the ALERT Key Auto Select (AKAS) functionality allowing them to agree on the economics and place of settlement on trade date, enabling a timely and accurate trade match. If there are any trade exceptions, DTCC Exception Manager can identify these in real time, enabling clients to quickly resolve them, therefore minimising delays to settlement.

If you could give one piece of advice to market participants preparing for CSDR, what would it be?

Prevention is better than cure. A settled transaction cannot be penalised and can't be bought in, therefore by automating the post-trade pre-settlement process, you will significantly increase the chances of timely settlement.

Matt Johnson,
Director, ITP Product
Management,
DTCC



DTCC

TOP 6 WAYS TO ENSURE SUCCESSFUL FAILS PREVENTION AND AVOID CSDR PENALTIES

The upcoming Central Securities Depositories Regulation's (CSDR) Settlement Discipline Regime (SDR) will impose new measures to prevent settlement failure such as cash penalties for failing and/or late matching trades, and mandatory buy-ins. Given these new, potentially large, impacts of a failed trade - the time is now to maximize your current investments in Institutional Trade Processing's suite of services and to focus efforts on the prevention of failure.

PRE-TRADE ENRICHMENT

- 1 Utilize the **ALERT®** platform, the industry's largest and most compliant central database of standing settlement and account instructions (SSIs) and provide automatic enrichment of those SSIs on a matched trade when used in conjunction with CTM™.
- 2 Take advantage of **ALERT's Global Custodian Direct (GCD) workflow**, a fully custodian or prime broker managed workflow ensuring SSIs in the system come directly from and are maintained by source data providers.
- 3 Upgrade your traditional **ALERT enrichment capabilities by accessing our ALERT Key Auto Select (AKAS) functionality**, a seamless (and free) rules-based enrichment of CTM trades eliminating the need to provide ALERT Keys (Country, Method, Security) as part of the trade information.

ALERT



ALERT GCD



**A Roadmap to SSI Automation: How an SSI Utility Benefits All Participants*

TRADE DATE AGREEMENT

- 4 Achieve straight through processing via **CTM**, the industry's standard for central matching, by agreeing to the economics, place of settlement (PSET) and associated SSIs on trade date, allowing you to resolve any trade exceptions in a timely fashion.

SETTLEMENT & EXCEPTION MANAGEMENT

- 5 Prevent penalties under **CSDR** through centralized trade exception management with **DTCC Exception Manager**, quickly resolving exceptions and reducing delays in settlement.

DATA & ANALYTICS

- 6 Gain a better understanding of who your higher risk counterparties are by leveraging **ITP Data Analytics**, allowing you to identify potential missed trade affirmations in order to prevent fails.

WANT TO LEARN MORE? VISIT [DTCC.COM/CSDR](https://www.dtcc.com/csdr)

See how DTCC's ITP suite of services can reduce your risk of trade fails, minimizing the impact of CSDR.

WANT TO LEARN MORE ABOUT DTCC CONSULTING SERVICES? VISIT [DTCC.COM/CONSULTING](https://www.dtcc.com/consulting)

Need support implementing the ITP suite of services at your organization? We'll help you rethink your post-trade operating model.

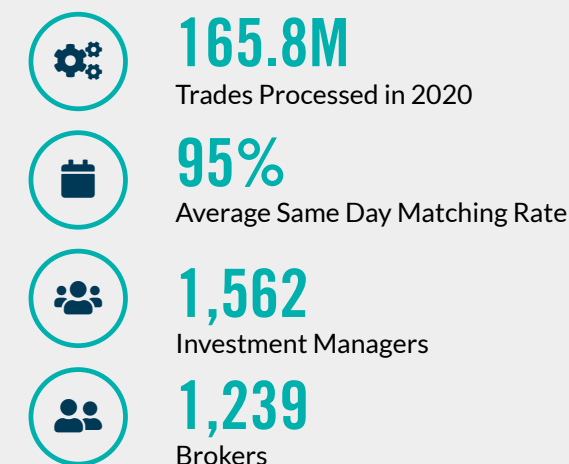
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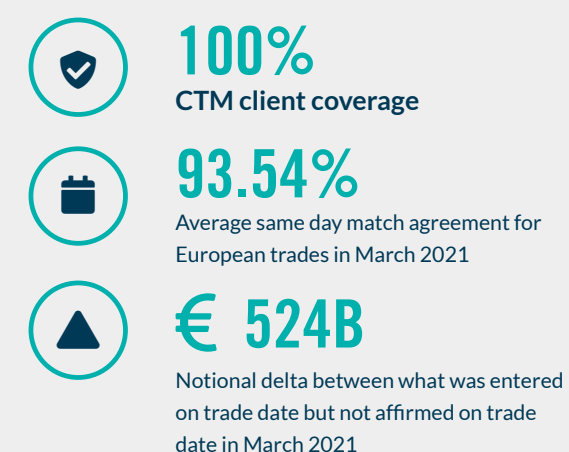
CTM



DTCC EXCEPTION MANAGER



ITP DATA ANALYTICS



Green Shoots In Africa



COVID-19 unleashed economic turmoil on Africa last year, but green shoots are slowly starting to emerge. Assuming vaccine rollouts are implemented swiftly and successfully, the World Bank has predicted that SSA (Sub-Saharan Africa) GDP will increase by 3.3%, and 2.1% for MENA (Middle East, North Africa). The pandemic has forced a number of existential changes on financial markets globally, and Africa is no exception. These developments – and many more – were discussed at length during The Network Forum's (TNF) Virtual Africa Meeting, which took place on March 9-10.

A digital leap forward

After years of talking about digitalisation at forums like TNF, the securities services industry implemented what was arguably a decade's worth of technology change in just a few months. Of course, there were inevitable teething issues, but African financial market infrastructures (FIMs) and custodians passed the COVID-19 resiliency test with flying colours. A poll at TNF found 90.5% of respondents said operations in African markets coped better than expected during COVID-19. Digitalisation of activities such as annual general meetings (AGMs) and corporate actions have been executed seamlessly. Elsewhere, some of the region's CSDs are accelerating plans to adopt SWIFT connectivity. All of this progress is commendable. In fact, the biggest concern among banks is that market participants will relapse and start reverting once again to manual processing when the crisis draws to a conclusion. Many banks are busy lobbying the authorities to stop this from happening.

Adopting crypto-currencies in Africa

Just as mobile banking helped large swathes of Africa's population obtain bank accounts, experts are bullish that digital assets could augment financial inclusion ever further by making it easier for people to invest. A handful of African Central Banks are developing CBDCs (central bank digital currencies). Unlike crypto-currencies, CBDCs are pegged to Central Bank issued currencies in what should theoretically make them less volatile and easier to price than assets like Bitcoin. Several CBDC orientated POCs (proof of concepts) are currently underway on the continent. The South African Reserve Bank, for example, is trialling whether debentures can be issued, cleared and settled with tokenised cash on a Blockchain. Meanwhile, the Bank of Ghana has also expressed an interest in developing a CBDC, as has the Bank of Mauritius. The challenge for providers will be to develop crypto custody solutions to support the growing investor appetite for digital assets and currencies.

Pumping liquidity into the market

Liquidity in many of Africa's capital markets remains elusive, but this is slowly changing as regulators introduce more financial products and implement structural reforms. The authorities in Kenya and Nigeria, for example, are in the process of launching a derivatives industry. As investors- especially in Europe – increasingly notch up their ESG (environment, social, governance) exposures, African markets are taking note. Over the last few years, there has been a pick-up in green bond issuance on the continent, with activity recorded in places such as Egypt, Kenya and Nigeria. The introduction of new investment products will help generate greater investor interest – and with it deeper liquidity.

Elsewhere, efforts to strengthen stock exchange connectivity between some of the major African markets (South Africa, Morocco, Nigeria, Kenya, Mauritius and the Bourse Regionale Valeurs Mobilières) are ongoing. Easier cross-border trading and listing could help drive up liquidity across these markets, although similar connectivity schemes have disappointing track records. However, the absence of liquidity in Africa appears to be mainly driven by FX risk, an issue which was especially true in Nigeria. A TNF poll found 62.5% of people believed improved FX liquidity and easier repatriation processes would help stimulate inflows. This is something which needs to be addressed.

Where next?

The industry has responded well to COVID-19 with very few banks and brokers reporting any degradation of service in Africa. In fact, some aspects of post-trade – principally account openings and corporate actions – have undergone a marked improvement as a result of COVID-19 induced digitalisation. It is critical that the progress made in African capital markets during COVID-19 is not undone when things normalise. For more information about future TNF events, please visit: www.thenetworkforum.net/home/events

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Waemu Market – A Resilient Market

To Massikini Keita, Head of Investor Services, Stanbic Bank S.A. Standard Bank Group's bank in Côte d'Ivoire, watching her country's financial markets thrive and bounce back in a global pandemic, is thrilling.

With over 12 years banking experience, most spent in securities services, Massi has seen this industry adapt to its environment. "This has not always been easy, especially during times of political instability," says Massi.

Today she is proud that her home country, Côte d'Ivoire, plays such a central role in the West African Economic and Monetary Union (WAEMU) financial markets. It is home to the shared central bank, stock exchange and central securities depository. This is part of the reason Standard Bank chose to open in Abidjan to expand our custody footprint in Africa and provide global portfolio investors access to a growing regional market.

"We are delighted at having found a partner capable of operating on a fully STP basis and also offering excellent client service, from onboarding and account opening to day-to-day processing".

"It is great to be in the expert hands of an experienced team of professionals with an extensive local market knowledge and a perfect understanding of how to help clients operate seamlessly".

Ilia Verchenko, Director, Head of International Operations and Network Management

As with markets across the world, the financial markets in WAEMU saw an increase in bond issuances and is now looking at how it can support the growth a post-Covid world needs. Massi is vocal about what her stock exchange (the Bourse Régionale Des Valeurs Mobilières – BRVM) and other African stock exchanges can do to enable capital raising required to support this growth.

Benefits to investing in WAEMU

- A single stable currency, the franc CFA (XOF)
- Harmonised business and legal structures.
- Tap into a region that includes one of the fastest growing economies in sub-Saharan Africa with 24 million people - Côte d'Ivoire.
- Access to 8 markets: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo

At the top of Massi's list is to make regulatory measures to promote greater participation of insurance companies pension funds / retirement funds, and sovereign funds on the markets. This is followed by developing domestic bond markets to attract more private investors to ensure a better distribution of wealth generated within the economies.

"My third wish is that stock markets take fiscal measures to encourage the collection of resources intended to finance strategic sectors including technology, health, and education," concludes Massi.

Fixed income growth in WAEMU in 2020:

- 28 bonds were listed on the BRVM market (compared to 17 bonds in 2019) worth XOF 2,377 billion (compared to XOF 1,218 billion).
- Biggest corporate bond listing in BRVM's history – Sonatel issued XOF100 billion.
- The Autonomous Port of Dakar returned to the market after a 10-year absence with an issue of XOF60 billion.

Investment opportunities in WAEMU - at the end of the first quarter of 2021, the BRVM:

- 46 listed companies with a market capitalisation of XOF 4,237.49 billion, up 5% compared to the same period last year
- 86 listed bonds with a market capitalisation of XOF 6,383.1 billion, up 33% compared to the same period last year
- 10.3 million securities traded, transaction value of XOF 65.5 billion, up 116% compared to the first quarter of 2020.

A lens on what's changing in WAEMU

In terms of regulatory changes:

- Setting up new products to develop the market (OPCI, OPCR, securitisation, covered bonds)
- Promotion of Islamic finance in the WAEMU.
- Review of the regulatory framework for private equity in WAMU.
- Review of the texts relating to the obligations to disseminate financial information and sensitisation of issuers to the importance of circulating financial information on the market

In terms of market developments:

- Promotion of sustainable finance. It is a decisive turning point for the BRVM and must play an important role in the field of sustainable finance.
- Baskets Bond: this is to encourage SMEs, who are not keen to come to the equity market.
- The creation of a derivatives market.
- The acceleration of the digitalization of market operations and services. There is already the introduction of the online trading by some brokers and the digitalisation of the CSD - Dépositaire Central/ Banque de Règlement (DC/BR) - by improving the quality of primary market operations.

Massikini Keita,

Head of Investor Services,
Stanbic Bank S.A.
Standard Bank Group



Social Bond Issuance To Hit R4bn In SA Within Year *Sustained Growth Expected For Years To Come*

The market for bonds issued to meet environmental and social outcomes is expected to grow exponentially in South Africa within the next year. Social bonds are expected to feature prominently, as the country looks to “build back better” post Covid-19.

Social bonds raise capital for positive social outcomes such as job creation, healthcare, education, gender equality and affordable housing, thereby ensuring better ESG alignment. We have already seen the inaugural, JSE listed social bonds issuance in South Africa - the proceeds of which will be directed towards inner-city refurbishment of affordable housing projects.

Further issuance could prove a much needed, post pandemic boom for South Africa given our deep need for social services upliftment, while further paving the way for partnerships between the public and private sector. We’ve seen these partnerships start to work effectively with infrastructure development and we are optimistic it would also be a good model for social spending.

RMB is a key partner with government in helping to finance South Africa’s infrastructure goals and has been a funder of infrastructure projects in excess of R100bn since the inception of PPPs (Public Private Partnerships) in SA.

We expect R4bn in social bond issuance in South Africa within the next twelve months and think that amount could grow each year over the next three years at least, perhaps longer. Issuers are definitely getting better at understanding social bond instruments and how they can be tailored to their specific businesses to align their strategies around ESG. It enables them to access the debt capital markets with social bonds that also attract additional investors, which helps achieve tighter pricing through accessing a greater pool of capital.

Sustained growth in social bonds in South Africa is expected as investors grow more familiar with them against a backdrop of a fast-growing public appreciation of the importance of ESG challenges. Talking to investors about green instruments about two and a half years ago, the level of understanding was very basic, but increasingly investors are telling us that they have capital available for sustainable assets.

The adoption of social bonds is a global phenomenon: in 2020, with the Covid-19 crisis exacerbating societal challenges, worldwide social bonds issuances rose sevenfold to \$147.7 billion.

While South Africa is leading the way in Africa, wide adoption across the continent is expected as governments and companies respond to a deep need for social advancement and delivering on ESG mandates.

Volumes in African GSS issuance have been held back by a shortage of both supply and demand. It’s a chicken and egg situation - investors are waiting for issuers to come to the market with green instruments, while issuers are waiting for investors to indicate that they have sufficient pools of capital ready to be allocated to green investments. But we are optimistic on both counts and are dedicating substantial resources to educating issuers and investors alike.

Nigel Beck,

Head of Sustainable Finance
and ESG Advisory at
Rand Merchant Bank



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Supporting Islamic Finance: How Custodians Are Facilitating The Market's Growth

As demand for Shariah-compliant investment products and services grows, leading custodian banks are building innovative solutions to cater for the diverse requirements of Islamic financial institutions.

Now a \$2.4 trillion market, Islamic finance is forecast to recover this year after suffering from a COVID-19 induced stagnation. Fuelling demand for these products are a combination of Islamic banks together with Shariah-compliant sovereign wealth funds [SWFs]; asset management companies; pension funds and family offices. In addition, a handful of global custodians and broker-dealers, whose own underlying clients comprise of major Islamic investors and institutional clients, are asking their sub-custodians to develop Shariah-compliant services as well, forcing providers to take note.

Navigating Islamic securities services

So what exactly do these Shariah-compliant services look like? Put simply, Islamic Securities Services broadly mirrors the traditional model in that providers offer conventional solutions such as custody; fund administration; performance reporting; order execution; cash management; and foreign exchange [FX]. The difference is that all of these services comply with Shariah law principles. In the case of Standard Chartered, its Islamic Securities Services business is underpinned by Fatwas which are issued by an independent Shariah board - comprised of leading international scholars.

Operating under Shariah law means the Islamic securities services model needs to fulfil a different set of requirements. For example, usury which could be loosely translated as interest taking or giving, is forbidden. As traditional custody relationships envisage a cash link where cash accounts provide interest hence this solution can't be used under an Islamic offering. Therefore, service providers need profit bearing cash solutions instead of interest bearing accounts.

In order to generate revenues off deposits, Standard Chartered utilises structures (called "commodity murabaha") where there is a purchase and sale of select Shariah-compliant commodities (e.g. precious metals such as Platinum and Palladium) on an overnight basis. Profits are generated on the back of these secured trades and shared with the clients. Islamic accounts also need to be clearly identifiable and Islamic and conventional assets can't be co-mingled. Standard Chartered has implemented a fully segregated Islamic booking method that satisfies and is in line with these guidelines.

Network managers get to grips with Islamic finance

While Shariah-compliant financial solutions have been readily available for the last 50 + years, they have only picked up traction within the institutional market relatively recently. Network managers are starting to scrutinise the Islamic securities services capabilities of sub-custodians and validate that these offerings are compatible with the Shariah mandates of their own clients. In terms of operational due diligence, this may require a network manager to ascertain whether a sub-custodian has a permanent shariah board or committee in place, or if they are using a more ad-hoc solution. In addition, network managers will also need to ensure Shariah-assets and cash are fully segregated and that cash management practices at their sub-custodians comply with Islamic guidelines. For a number of network managers, Islamic finance will be a new concept. In order to overcome any lingering uncertainties or confusion, sub-custodians should educate network managers about Islamic finance and how it works.

Although some network managers may be unfamiliar with elements of Islamic securities services, the fundamentals are still the same. Take counter-party and operational risk, for example. Some markets will have their own domestic, standalone Islamic banks, who can provide local custody solutions. However, network managers do still have a fiduciary obligation and must ensure that client assets are fully protected at all times and held with institutions that come up to their appointment criteria. It is crucial therefore that they only work with providers which have strong risk management practices in place together with an excellent credit rating and robust balance sheet strength. At the same time, they should also only work with partners that comprehensively cover the complete ecosystem of their securities services, FX and cash related requirements.

Gathering momentum

Shariah-compliant finance is a rapidly expanding market, and the securities services industry is launching exciting new solutions and products in response. Similarly, network managers are also having to familiarise themselves with the intricacies of Islamic finance so that they can meet the requirements of some of their larger, Islamic institutional clients. By embracing Shariah-compliant financial solutions, the industry will be able to expand its market share across the wider Islamic world.

Shikkoh Malik, Head of Group Fiduciary & Fund Services and Global Islamic Champion, Financing and Securities Services, Standard Chartered Bank

Khurram Hilal, Head Group Islamic Products, Standard Chartered Bank



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Commercialising Digital Assets – More Disruption Needed

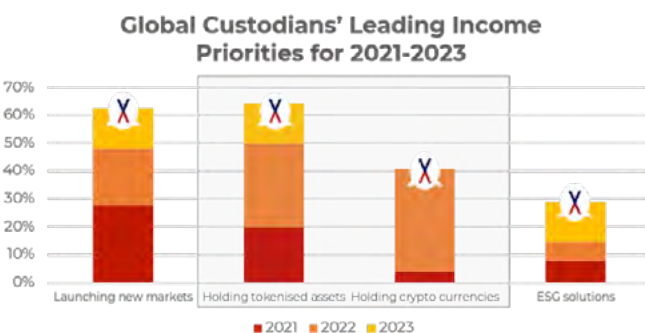
Digitisation has dominated industry headlines and discussions since 2018. Whilst investors have faced ever-growing pressures to 'right-size' their organisations and processes, their providers have put digitisation and tokenisation, specifically, at the forefront of their investment and development plans.

But how and where are these providers going to see returns on their blockchain investments? Are they ready to start commercialising digitisation today?

Leveraging sales performance data from our sales campaign platform (Agile Impact Metrics), the ValueExchange's data in 2021 shows that selling DLT is not as simple as it seems.

1. Tokenisation is central to Global Custodians' futures

There is no doubt that digitisation is at the centre of the customer conversation today for custodians across the globe. Up to 64% of custodians have tokenisation-related projects ongoing or planned over the next 3 years – putting digital assets at the forefront of their near-term revenue ambitions. This number swells further when crypto-assets are included in the revenue priorities. With over 90% of custodian banks now allocating resources to DLT and blockchain, the industry is taking a big bet on digital disruption.



2. Investors don't see the value yet

But it is not clear that their investor customers view tokenisation with the same level of intensity as their service providers.

After years of intense revenue pressures, continuing workflow adjustments and ongoing regulatory change, the majority of investors are today focused on more immediately realisable objectives. Investment returns now lead their priorities (ahead of cost control and internal priorities) – as investors shift from an extended period of risk management into a new phase of growth.



And even in the infrastructure and post-trade space, investors are more inclined to invest their time in API- and connectivity-related projects than they are in tokenisation. Fund managers of all profiles need to see immediate returns from technologies that can deliver in the short term – and blockchain does not yet seem to be making the grade. Whilst an API can deliver significant efficiencies in weeks and months, the short to medium-term benefits of tokenisation and blockchain seem worryingly unclear to investors.



This shorter-term focus shows through in daily sales interactions with investors. Whilst 60% of custody-related sales conversations lead to an opportunity for leading providers, these banks struggle to convert more than one in every five client discussions into a continuing tokenisation discussion.

We clearly need to be telling a different story if we want investors' attention.

3. Reshaping sales and customer networks

The challenge is not only one of shaping the narrative – it is also about who this narrative is with.

Our 'DLT in the Real World' research campaign highlighted (run with ISSA and Accenture) that the 3 business units leading the blockchain charge in a typical firm are Innovation teams, Product Management and Strategy / Business Planning. As we continue to experiment with and develop digital asset platforms, our exposures and our expertise are centralised in these non-operational departments – away from the teams responsible for functional, daily operations.

The ValueExchange's recent outsourced sales campaigns have shown that only 12% of custodian banks' sales engagements are with these functions today – meaning that custodians face a serious connectivity challenge. If their daily client counterparts are not responsible for digital assets then 88% of their client calls are with the wrong people.

The majority of custodian banks who are 'betting the house' on their ability to commercialise digital assets therefore face a key dependency. If they are to monetise their digital asset platforms, they must first disrupt and transform their customer networks and take their story to the right customer stakeholders.



4. Digital assets: a multi-dimensional, collaborative sale

But the transformation can't stop there. Unlike most (bilateral) securities services sales, the commercial success of digital assets relies heavily on engagement across a multi-lateral ecosystem. A successful salesperson in the digital asset space is reliant on exponentially

more counterparties to close the deal – and is hence faced with a unusually high level of complexity in managing their opportunities and pipeline.

Amongst that expanded ecosystem, salespeople need to master a new profile: that of their customers' customer. Over 56% of customers' digitisation plans are now being shaped not around their own needs but around those of their own, upstream customers. Far from being able to rely on single relationships with their clients, tomorrow's salespeople will have to rely on an entirely collaborative sales engagement – where the custodian's offering is simply embedded into that of their direct customers.



Business case, connectivity and sales model: more disruption needed

There is no shortage of commercial intent in the fast growing digital asset space – and global custodians seem singularly focused on monetising this new technology as fast as possible. But if their commercial ambitions around digitisation are to be realised, sales engagements will need to transform as much as operational workflows.

This will require a new sales narrative that defines more clearly the immediate business impact of digital assets for investors; and it will require a profoundly different sales engagement that involves new stakeholders, shaped around the needs of the customer's customer.

Would you like to know more about how your own firm is taking digital assets to your customers? If you would like to partner with the ValueExchange to run your own Agile Impact Metric campaign then please contact us at info@thevalueexchange.co



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SRD II: Transforming Global Proxy Voting And Shareholder Disclosure



On 4 September 2020, the European Union's (EU) revised Shareholder Rights Directive (SRD II) came into effect. The changes were designed to enable greater transparency between issuers and their shareholders and encourage investors to become more involved in shareholder voting activities.

In an exclusive Q&A with Demi Derem, General Manager, International Investor Communication Solutions at Broadridge, we explore Broadridge's latest technological innovations that have helped to transform proxy voting and shareholder disclosure services.

Broadridge is well known for its significant investments in innovation and technology. Why did it decide to focus its innovation to meet the challenges introduced by SRD II?

Investor communications is a core competency, at the heart of Broadridge. We saw the introduction of SRD II as an important opportunity to help our clients, and the wider industry impacted by the regulation, to meet their new compliance obligations. SRD II's scope mandates the provision of voting and disclosure services by a far broader range of intermediaries than ever before, including brokers, wealth managers and retail banks – many of which are now required to provide these services for the first time. We knew that we had to help them tackle these new requirements.

To do so, Broadridge enhanced its core platforms to deal with SRD II's same-day processing requirements. We also developed several new and exciting products, including our new shareholder disclosure platform, which harnesses the latest hybrid DLT and API technologies. Our SRD II solutions were operationally live ahead of the September 2020 deadline, and we are proud that they are now helping more than 300 major financial institutions to meet their proxy voting and shareholder disclosure obligations.

Broadridge offers tailored solutions to a range of different investor types operating all over the world. How did Broadridge support those operating on a cross-border basis?

SRD II implementation was more complex for multinational firms, who had to adhere to differing data security regimes, and were hampered further

because of varying timelines for transposition. For many European countries, shareholder identification was an entirely new process to adopt. Intermediaries operating across different time zones were further challenged by the obstacle of meeting the respective daily response deadlines for shareholder identification requests.

To combat this, Broadridge innovated its market connectivity with key infrastructure providers. This, coupled with flexible rules-based systemic processing, allowed us to help clients navigate these complexities with due efficiency.

How has Broadridge adapted its solutions for retail banks and brokers who are relatively new to shareholder rights?

Prior to SRD II, the retail segment of the market offered a passive voting service for issuer meetings. However the revised SRD meant that it needed to now offer an online and on-demand service to all investors.

To cater to the specific needs of this market, we focused on protecting the end client experience by integrating our voting solutions to branded client front-end portals. We developed functional multi-channel e-voting solutions, including mobile apps. We knew that this would be especially important to retail banks, their investors and the younger generations who prefer the convenience of this method versus a PC-based login.

Demi Derem

General Manager
Investor Communication
Solutions International
Broadridge Financial Solutions





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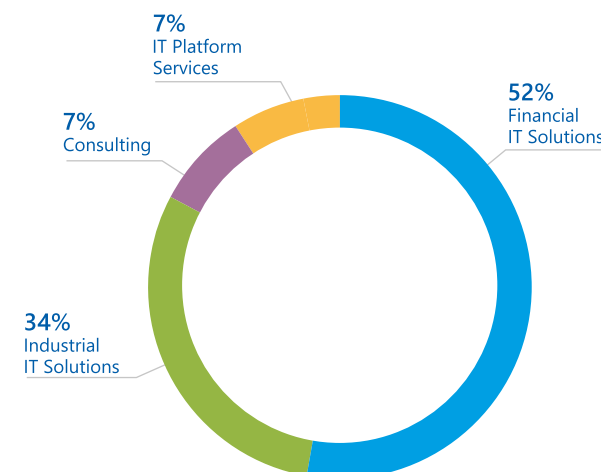
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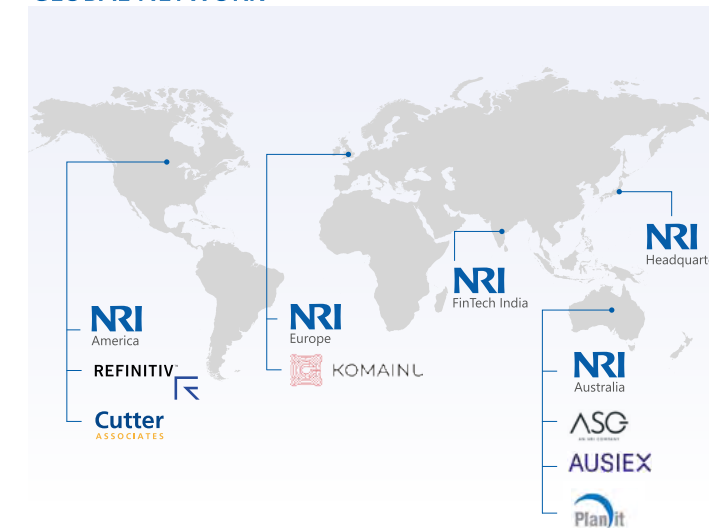
NRI is a global top 10 Fintech company with annual sales exceeding \$5 billion*. Leveraging our consulting expertise, NRI provides state-of-the-art managed service and financial system solutions to transform financial institutions into digital companies equipped to thrive in the new digital era. With a 50-year track record of success and a team of 13,000 skilled professionals in more than 50 offices globally, NRI caters to a wide range of post-trade operational needs by mitigating cost and risk, and improving efficiency.

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*Based on Japanese accounting standard with the currency conversion rate of 110.71 yen to a dollar

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What About The Silent Majority?



Most of us have been coming to The Network Forum Annual Meeting for many years. In this time the processing of settlements has been transformed. This is just as well as the volumes and values have increased beyond anything that we ever imagined. The accompanying increases in risks and costs has been checked by the introduction of versus payment (VP) settlement, clearing houses, shortened settlement periods, SWIFT messaging and STP. As well as immobilisation, dematerialisation and the introduction of the Euro, of course. Processes have been standardised, centralised and off-shored. Progress has been almost unbelievable. We have had a lot to talk about, a lot to be proud of.

However, do you sometimes think that more should have been achieved? Although much has changed, the parties and processes involved are essentially the same; just streamlined, standardised and accelerated. The more things change, the more they stay the same. More radical change might have achieved more.

The annual global cost of settlement has been estimated to be circa USD 20 billion. At BNP Paribas Securities Services we settle circa 100 million transactions per annum. These are big numbers. Settlements is a subject that we care about. Making settlement more efficient would be a huge step towards more effective capital markets. This would benefit us all.

The silent majority and the noisy minority

Most settlements follow STP and settle on time. These are the silent majority. We want to increase their number and decrease their costs. They make up something like 95% of all settlements. We would like this to be 100%. The silent majority is so large that any serious attempt to decrease settlement cost has to start with them.

Then there is the noisy minority. These are the trades which are not processed STP or do not settle on time. They are much fewer in number but they demand attention as they disproportionately increase costs and risks. In a perfect world we would eliminate them altogether. We certainly want to decrease their number.

Internal action and external coordination

Since the financial crisis, we have been very focussed on reducing risk. Our attention has been mainly on the noisy minority. The implementation of CSDR's settlement discipline regime will complete that phase.

So let's use this Network Forum Annual Meeting to redirect our attention once more to the silent majority. Together we can ensure that our markets have modern infrastructures and practices that will allow us to deploy new technologies, revisit our operating models, seek scale and reduce costs.

I have explored all this further in **The Settlement Matrix**. Have a read. Let us know your thoughts. We can design the future together.

It was President Nixon who first introduced us to his silent majority. He knew they were important. However, he did not really understand them as well as he thought he did. He underestimated their capacity for change. This is a common error in many walks of life. Let's not make it with settlements. Dramatic change may be closer than we imagine.

Alan Cameron

Head of Financial Intermediaries & Corporates Client Line Advisory.
BNP Paribas



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The bank for a changing world



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Third-Party Risk Management

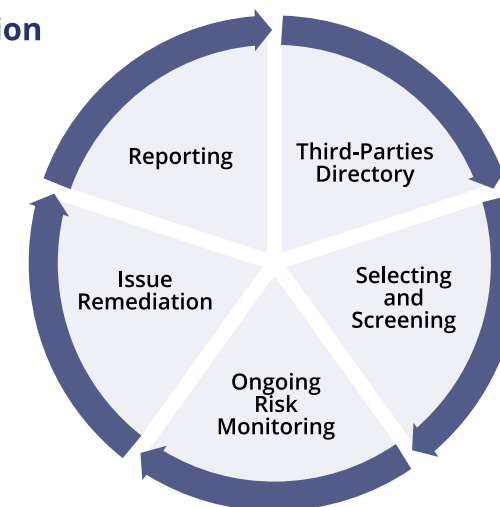
Unparalleled Coverage

- ✓ 20,000 users
- ✓ Thousands of monitored entities
- ✓ One single secure platform

Our end-to-end TPRM and compliance solution will allow you to:

- Reduce your global risk exposure in a centralised platform.
- Manage multiple vendors, delegates and partners.
- Drive efficiency, compliance and cost savings, and free up time to focus on what matters most.
- Analyse results with effective reporting.

An End-To-End Solution



Key Features



Conforms to the highest security and user standards



Advanced permissions, audit logs and review of committed changes



Easy to use for you and your respondents



Autoscore responses and analyse results

The Platform

Thomas Murray Diligence

- A third-party due diligence solution that helps you manage third party risk.
- Issue RFPs and conduct pre-contract inherent risk analysis.
- Store documentation and details on third parties in a centralised platform.
- Import customised questionnaires and automate methodologies.
- Score and compare responses.

Risk Intelligence

- An essential risk monitoring platform.
- In-depth third-party profiles.
- Powerful analytics.
- Supplemented by our specialist risk products.
- Covering thousands of financial institutions and markets.

Cyber Risk **New**

- A threat intelligence solution that enables you to monitor your cyber risk exposure.
- See how your third parties' policies and procedures translate into real-time risk profiles.
- Continuously monitor your visible attack surface for vulnerabilities.
- Access Thomas Murray's objective, granular remediation advice based on a server-by-server basis.
- Benchmark against like-for-like peer groups.

Who we are

Thomas Murray is a leading provider of third-party risk management services, founded in 1994 to support some of the world's most complex sectors.

Our risk platforms are used every day to monitor thousands of companies on behalf of hundreds of clients, including some of the world's largest banks, funds and other organisations.

The Third-Party Risk Management solution is a tailored package of services that allows anyone, anywhere to monitor their third parties and more effectively manage risk. An easy to use, Software as a Service (SaaS) platform to manage your global third parties.

Pushing Boundaries On Sub-Custody In The Nordics

Jesper Lindén, co-head of Cash and Sub-Custody, Investor services at SEB, takes stock of the Nordic sub-custody landscape – from consolidation and Covid-19, to regulatory challenges and the emergent market leaders:

The Nordic sub-custody market is undergoing a seminal moment of change.

Since the pandemic struck, financial industry trends hitting the headlines have focused on digital enablement, artificial intelligence and ESG. These themes are important for the financial industry in overarching terms, but the real forces shaping the Nordic sub-custody landscape are more traditional and ingrained: intense consolidation, coupled with continued financial pressure on fees and demands to assimilate to the European regulatory framework.

There's been a significant shake-up, with many of our Nordic peers exiting or about to exit the market, leaving just SEB as an established player alongside a new global entrant. With regulatory stresses, technological expectations, client-side pricing pressures and underlying infrastructural challenges, the job of the sub-custodian can look less like banking and more like rocket science.

It's a delicate formula needing the right mix of scale, competence, local excellence and business volume to justify the efforts and risks required. Traditionally,

those who have not succeeded have either prioritised a global custody strategy at the expense of the local market competence build-up, lacked the size to justify the necessary investments and risks, or failed to plan for sustainable and robust long-term efficiencies. In contrast, SEB has always had a strong strategic commitment to sub-custody from the board down, a tradition running back over 100 years. The bank recognises and welcomes the additional responsibility that comes with expansion in this market, making a firm commitment to grow the sub-custody services team and continually invest to evolve technology in the space.

Legacy disruption accelerated by Covid-19

While consolidation trends have dominated, the pandemic has had far-reaching consequences, with many underlying transitions in the sector being accelerated by Covid-19. Necessity is the mother of invention and with the majority of clients working remotely from home, the knock on effects have disrupted many legacy processes. From document signing and due diligence visits to meeting clients and AGMs, all of these physical activities have made way for virtual alternatives.

This kind of transition is demanding at the outset but we're now at an inflection point where these changes are here to stay. The test going forward will be to redefine the status quo – finding a balance between the upsides of not travelling for work, and the business benefits of meeting in person.

The road ahead

Looking ahead, the role of the Nordic sub-custodian will continue to present challenges. Among them, clear technology and scalability roadmaps will prove crucial

to long-term success. The Nordic infrastructure also looks different to Western Europe, and we expect to see continued adaptation on the horizon for Central Securities Depositories (CSDs) - especially on standards harmonisation.

A substantial part of Nordic activity can be handled by way of efficient Omnibus and/or Nominee structures but segregated accounts are also the norm for certain investor types and local citizens or tax subjects. This places high demands on the processes of all involved players and especially so the sub-custodian on KYC and financial crime compliance. The latter in particular will become a more pervasive requirement throughout the custody chain - just as it is for payments.

Banks have become better at navigating the regulatory landscape but this still requires high investment and resource devotion - from the Central Securities Depositories Regulation (CSDR) and the Shareholder Rights Directive II (SRD2) to tax related developments.

Emergent market landscape

Despite these challenges, the trend of consolidation means SEB will only strengthen its position as the leading player in the Nordic sub-custody market over the next twelve months. Delivering infrastructure services alongside a broad array of sophisticated sub-custody products is a crucial part of the value chain for institutions. The competition in providing Global Custody services to Nordic institutions is razor sharp and it is, in our opinion, only viable with a dedicated sub-custodian offering that stands up for the cross border client's interests via a solid local representation. A standard factory set-up with shell support locally will not be enough.

While that requires long-term investment, for those like SEB with the scale, resource and vision to view Nordic sub-custody as a true strategic priority, the opportunity presented by the reshaping landscape is significant.

Jesper Lindén

Co-head of Cash and Sub-Custody, Investor services, SEB



SEB