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View from the Bridge

BRUCE HOBSON, CEO
CORFINANCIAL

Since our last newsletter there have been some seismic changes in the world in which we operate.

We have finally emerged from the pandemic and our business practices are now going through a significant period of transition. In some ways it is easier for a business to enter a pandemic - with only a relatively narrow mode of operation possible - than it is to leave one, as firms are faced with a far wider array of operational choices. Challenging the norms that have arisen in the workplace over the last two years is a task that all CEOs are currently wrestling with, to some extent.

Finding the balance between productivity and flexibility has become a key question and it will take some time for a model to emerge that suits all staff - and that will be in place for the long term. For example, a survey by the Office for National Statistics found that at least 50 per cent of employees in London continue to work from home, compared to 20 per cent in the rest of the UK. We are all on a journey of discovery and we do not yet know what the ultimate destination will look like.

We discuss the drive toward T+1 business day settlement cycles, along with its inevitable impact on middle office teams. We are firm supporters of this key industry development, but we must also question whether firms can afford to not be running an exceptions-based trade processing operational model if they wish their business to be scalable.

Our Paragon service has reached a landmark, with the arrival of Paragon 7. This involves a move to Microsoft SQL server, a transition that will improve our ability to apply new technologies to the Paragon application.

Of course, ESG (Environmental, Social and Governance) remains firmly on the investment news agenda and our business continues to adapt to this essential requirement. In addition to winning an innovation award for its BITA Wealth ESG Manager private client solution, the BITA Risk team presents an interesting viewpoint in this newsletter on how the mass customisation of ESG preferences will soon become a market standard.

It has now been 25 years since corfinancial was formed. On page 4 we review our Silver Jubilee and consider how much has changed in the financial services world during that period - and how our company has responded to that progression.

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Paragon 7 on the horizon

We are delighted to announce the arrival of Paragon 7, which sees a move away from an underlying Pervasive database to the ubiquitous Microsoft SQL server. The transition will improve our ability to apply new technologies to the Paragon application, such as Active Directories integration and rapid development tools.

"The new database platform also allows us to grow the application and add additional functionality to support processes such as CECL accounting," explains Kirk Kerr, Operations Manager – BITA Risk, Paragon and Banking.

"Significantly, we have improved the performance of the single largest program within Paragon – the end of day batch processing," says Kerr. "This enhancement reduces bandwidth requirements for users as well as improving the performance - effectively halving the time taken for this activity."

corfinancial has also added an embedded, real-time, self-sustained backup.

"We have listened to our clients and see Paragon 7 as a significant step forward in helping them to maintain locally run systems in a standard and consistent way, adding efficiencies and reducing technology costs," concludes Ken Conway, Product Manager – Paragon.

Customers can expect delivery of Paragon 7 during Q3 this year.

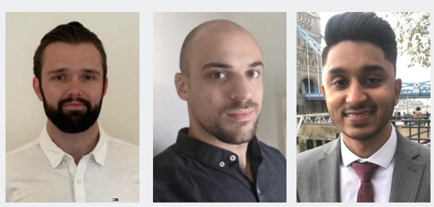
News in Brief

CECL rollout to smaller banks and non-public entities

If you are a small bank or non-public company, then Paragon 7 will give you the tools that you'll need to process accounting entries for CECL (Current Expected Credit Loss) for your bond portfolios.

New starters in Salerio and BITA Risk teams

We are delighted to welcome Euan Hamilton (left) to the Salerio team as a Junior Application Support Analyst. Meanwhile, Alex Greiss (Application Support Analyst) and Thinojas Jeyasritharan (Business Analyst) have both joined the BITA Risk team (right).



Commercial

Proactively addressing the operational impacts of T+1

Bruce Hobson explores the reduction in the trading cycle and its operational impacts.

T+1 business day settlement cycles, for nearly all security types, have been talking points for decades without any real traction. And although the industry is collectively gathering momentum toward this goal, some fundamental issues remain.

Effective automation is going to be critical in order to deal with this evolving process; wherever possible, replacing multiple dated applications and processes with a single platform that integrates post-trade securities processing from end-to-end. Now is the time to overhaul dated technology and move away from practices like batch processing which are still common in many companies.

As the settlement lifecycle continues to shorten, not only do institutions require the centralising of exceptions data on one dashboard but they must also question whether they can afford to not be running an exceptions-based trade processing operational model if they wish their business to be scalable.

There are complexities in the trade processing lifecycle for good reason and a risk-averse approach that remains highly regulated is at the core of this process. Failing trades are currently a major area of focus, with regulatory protocols being introduced by the CSDR (Central Securities Depositories Regulation) to reduce this exposure through fines for failed transactions.

Moving to a shorter lifecycle is only going to increase the need for more process due diligence and automation. The

solution is to prevent problems from occurring rather than manage the problems after they occur. With the right technology in place, firms can have an efficient and connected post-trade ecosystem that will adapt well to T+1 processes and be able to scale wherever trade volume demand it.

In a T+1 settlement cycle, if a trade is executed today, the confirmation or affirmation process should occur on trade date for the trade to settle the following day. There's very little time for the firm to identify a mistake. This is one of the many operational problems associated with T+1 that can be alleviated by our Salerio software. Salerio deals with confirmation, matching and settlement instructions management, helping the middle office deal with high volumes of trades that must be processed on trade date.

Salerio achieves this because users are only dealing with exceptions, thus enabling firms to process high volumes of transactions in the most time-efficient manner.

Our software takes control and proactively addresses the operational impacts of T+1.

Costars advances personalisation and governance

Our Costars application has been supporting and aiding blue-chip clients for over 22 years, proving itself to be a high performance, scalable multi-asset investment administration solution. Costars automates and improves client servicing, sales-channel uptake and the adoption of new products, including fully automated ISA management and Fixed Rate Bond and maturity processing. The solution also provides management functionality for tax and regulatory requirements for underlying investors.

Recently, Costars has been making significant advances around personalisation. For example, in terms of acknowledging LGBT+, the application is being revised to allow complete flexibility when identifying a preferred title and gender. In the last few months, the Costars team has performed Feasibility Studies into the introduction of LGBT+ requirements and has clearly identified where Costars can be adapted to fulfil these needs.

Costars is also helping clients with aspects of their governance, particularly within evolving GDPR regulations. Additionally, the team is assisting clients with how they structure their data, including the enhancement of their data archiving capabilities.

Graham Cain, Head of Operations, Costars: "Whilst we help our clients improve the service that they provide to their own customers, our influence now also underpins a growing number of initiatives that support the global drive towards better accountability."

BITA Risk wins Innovation award

BITA Risk has won the coveted 'Innovative WealthTech Solution B2B' category at the *WealthBriefing* European Awards 2022 for its BITA Wealth ESG Manager private client solution.

Commenting on the firm's triumph, Daryl Roxburgh, President and Global Head of BITA Risk, said: "We are delighted to have won this award. BITA Wealth ESG Manager enables the easy integration of ESG analysis and reporting within a firm's investment proposition, making life easier for client managers and delivering a better service to clients in the world of sustainable investing."

Paragon 7 Virtual Launch Party

corfinancial is planning a 'Virtual Launch Party' for Paragon 7 this summer. Although much will be centered around the new release, there will be exciting information about the product roadmap and opportunities to interact with the corfinancial team and fellow Paragon customers.

Technology

BITA Risk: 'Mass customisation of ESG preferences will become a market standard'

The UK investment management industry still lacks definition as to what ESG regulation will be enforced and when. Although the FCA has indicated that UK directives will broadly mirror the European Commission's SFDR (Sustainable Finance Disclosure Regulation) requirements, many questions remain. (The SFDR imposed mandatory ESG disclosure obligations for asset managers and other financial markets participants in Europe, with substantive provisions of the regulation being effective from 10 March 2021).

Our focus is to ensure that wealth management businesses are gearing up to 'compete, not just comply' in the wider context of ESG. As both investor expectations and investment processes gather momentum around sustainability risks and opportunities, firms need a defined ESG delivery approach to meet demand, retain customers and deliver growth.

A key consideration is the integration of ESG data within their existing investment framework, combining portfolio and sustainability data potentially from multiple sources and delivering this across an enterprise to the managers' desktops. Ultimately, firms need to understand and report upon the ESG characteristics inherent within the portfolios they manage, and monitor these on an on-going basis against investor mandates and ethical restrictions. And,

where firms have invested in their own sustainability research process, they need to be able to make this transparent and demonstrable to clients.

Beyond this, firms can assess and report upon their carbon exposures across all portfolios and their organisation, presenting trends to the Investment Committee as well as the underlying clients. Although SFDR-style regulation is inevitable in the UK, firms may need to wait until Q4 this year for full visibility of the changes.

The way forward with Penalty Fees Management

SureVu (our consolidated solution for enforcing settlement discipline within organisations to be compliant with CSDR regulations) now includes Penalty Fee Processing and Management capabilities to help buy-side firms manage the cost of failed trades under SDR.

Firms now have a choice: they can manage failed trades and associated penalty fees with multiple manual steps, using reports from dated utilities, spreadsheets and internal platforms, or they can use SureVu which centralises the processes, providing clear management dashboards and failed trade management facilities, along with penalty fee management and appeals management workflows.

David Veal, Senior Executive: Client Solutions, asks: "Why wait for a trade to fail? SureVu gives firms the tools to control and reduce the risks of trades failing. The solution delivers full visibility of your trades and penalties, avoids higher overheads for penalty fees processing and reduces your penalty fees – all through a light-touch, rapidly deployed system."

Successful rollout of BITA ESG Manager continues

BITA Risk built its reputation on taking complex risk and portfolio data and making it highly accessible within its efficient portfolio management applications. Now it has applied this approach to ESG (Environmental, Social and Governance) investment, automating many manual steps through exception management and integrating key data as part of the client profiling and investment processes.

Daryl Roxburgh, President and Global Head of BITA Risk: "We are ahead of the curve with our ESG offering, with £80 billion running through ESG Manager now. The product is proven, having been rolled out successfully across multiple wealth management businesses, integrating with their existing investment framework. Our message is that you don't need to change your existing process – we are able to enrich that procedure with ESG data and exposure analysis."

bitarisk.

Salerio enhanced with Repos

With the renewed focus on settlement discipline, it is vital to instruct trades in a timely manner with as much detail as possible, especially with instrument specific data. To this end corfinancial will be enhancing its Salerio offering in the Repo space. The development will allow for matching of these instruments based upon broker proprietary feeds and the inclusion of specific Repo information (e.g. rate type) on the instruction to the settlement parties, in order to drive further efficiencies.

learn more ›

Other News

Growing cyber threat attracts regulatory exhortation

This year we have witnessed a heightened global awareness of security and evidence of cyber-attacks on an industrial scale across many sectors, including financial services.

Now Europe's financial institutions have been urged by regulators to makes themselves more resilient to a growing risk of cyber security that has been intensified by war. A joint report issued by the European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority highlighted "environmental risks and risks stemming from digitalisation" as additional vulnerabilities for the financial system that have built up over time and have been exacerbated by the Russian invasion of Ukraine.

The European supervisory authorities' (ESA's) report calls for national regulators, financial institutions and market participants to "strengthen their cyber resilience" in the face of an "elevated level and frequency" of cyber incidents.

"Geopolitical tensions are playing an increasing role in the technological and digital space, with impacts felt across geographies and sectors, and heightened cyber risks following the Russian invasion in Ukraine," states the report.

In the current environment, audit and compliance requests from investment management firms to software businesses like corfinancial have been on the increase. The pandemic saw a spike in due diligence questionnaires being sent to software vendors as the number of office staff working from home rose and vulnerabilities to hackers in some systems became evident, but the latest geopolitical crisis has understandably accentuated these fears.

These audits are effectively an insurance policy for the client, guaranteeing the safety of their infrastructure. Investment management firms request this security because their own clients (the asset owners) have need of reassurance from the firms managing their assets. The fact that requests for these questionnaires has increased is evidence that firms are responding positively to the threat and the need for vigilance.

The security of our infrastructure remains our priority.

Bruce Hobson, CEO, corfinancial: "In common with all software businesses, we are finding that investment firms are seeking to validate our position of compliance with a robust security audit. At corfinancial we have multiple firewalls within our security protocols, though we have had to adapt these to the new normal of remote working and Wi-Fi services that are outside the office. The security of our infrastructure remains our priority."

Website relaunch

In December we were delighted to launch our new website at www.corfinancialgroup.com.

This was a major refresh from the previous iteration, with improved navigation to help users find the right product swiftly, a revamped Resources section, a new Search facility and video content related to our products.

Bruce Hobson, CEO, corfinancial: "In particular we sought to reduce the number of clicks for visitors to get to case studies, brochures and other documents, bringing this content to the attention of the user in as short a timeframe as possible. We were very pleased with the project, handled by our marketing consultancy Portfolio Marketing Communications."

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Written and designed by
Portfolio Marketing Communications

How our clients were ready for CSDR

corfinancial helped its buy-side clients to prepare for the CSDR (Central Securities Depositories Regulation) deadline in February.

SureVu was designed as a response to changes to the CSDR which required trading venues and investment firms established in the EU to improve settlement discipline after 1 February 2022. These enhancements, known as the Settlement Discipline Regime (SDR), mean that where a settlement failure occurs, depositories must impose cash penalties on failing participants.

Paul Bowen, Head of Salerio Client Services, corfinancial: "The overall sentiment is that whilst it's impossible to totally eradicate failed trades, firms are looking upstream to achieve best practice post-execution in order to minimise the number of fails. Proactive settlement tracking relies on real-time transparency over trade exceptions."

Bowen adds: "Our clients have found that the best practice approach to failing trades is avoidance, not management and the route to avoiding failed trades is automated exception management."

SureVu.

corfinancial celebrates its Silver Jubilee

In October last year we marked our Silver Jubilee. It has been 25 years since corfinancial was established as a software company serving the global financial markets, and it was an appropriate point in our history to consider how much has changed in the financial services world during that period and how our company has responded to that progression.

Bruce Hobson, CEO, corfinancial: "Over the past quarter-century corfinancial has anticipated these changes and prepared for the virtualisation of operations. How we deliver our software, how we give people choices and put control in the hands of the end-user have all evolved. We have thought about how people can consume software going forward, giving ourselves the flexibility to meet client needs."

"Our future vision is centred on anticipating the technology needs of financial institutions and investors, always adapting to and aligning with the end user."

Read our blog on the topic here.

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ABOUT CORFINANCIAL

corfinancial provides software solutions and advisory services to banking and financial services organisations worldwide. The firm has offices in London, New York and Boston.

There are five key problem areas corfinancial looks to solve through its primary software and service offerings:

BITA Risk provides end-to-end private client suitability, portfolio management, risk, ESG and monitoring oversight solutions; brought together in BITA Wealth to mirror and systemise the investment process of wealth managers and private banks and available individually for CIO and investment teams.

SureVu empowers buy- and sell-side firms to efficiently monitor and track security trades throughout the settlement lifecycle, enabling users to proactively manage and oversee settlement exposure.

salerio is a post-trade processing solution that enables asset managers, hedge fund managers and securities/fund services firms to automate the flow of securities and treasury trades from matching through settlement.

costars is an investment administration platform for third party administrators, fund supermarkets and wealth management companies.

paragon is a comprehensive front-to-back office fixed income portfolio accounting, processing and reporting solution for banks.