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NEWS

providing software and advice to the financial services sector around the world.

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View from the Bridge

BRUCE HOBSON, CEO, CORFINANCIAL

A macroeconomic issue that all CEOs have to deal with almost on a daily basis is the global impact of inflation on running a business. Every company, irrespective of industry, has to achieve a balance between absorbing increased costs and managing how some expenses have to be transferred to or shared by their client base. Dealing with contract renewals, I know that managing the sensitivities associated with this process is something of an art form.

The responsibility for a higher cost base must be shared by everyone within a business ecosystem. All businesses are retaining some increased costs that can't be passed on and it is through improving our operational efficiencies that we at corfinancial and our clients are coping with a higher cost base. Inefficiencies that were tolerated in the past now have to be addressed and it is critical that organisations identify how they are going to be providing their IT infrastructure for the future, optimising for growth. This means improving their output without taking a corresponding increase in expenditure.

As a technology provider, we work with the users of our solutions to ensure that we can provide the optimal way for them to integrate the software into their environments and improve their margins. Our focus is working with technology to reveal and unleash these operational efficiencies. We are constantly looking at ways to invest in our solutions, providing cutting edge software that is also highly compatible when interfacing with other systems used by our clients. At times like this, you need a solution provider that is keeping step with these requirements and that is our constant focus at corfinancial.

Efficiencies may stem not only from running existing systems; in some cases you might have to change your operating model. Software as a Service (SaaS) is one area we see the market increasingly moving towards and we are already working on providing a response to this shift. You can read more about this on page 2 ('Moving into SaaS').

We seek to be a true partner to our clients who are facing,

as we are, the pressures resulting from a significant change in their business environment. Gone are the days when we can accept inefficiencies within our systems and processes that are costing too much money.

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Salerio trade processing goes live at Jennison Associates

New York-based investment manager Jennison Associates has implemented Salerio, our post-execution trade processing, matching, confirmation and settlement instruction management system.

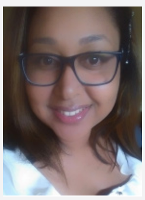
Salerio's centralised trade processing management enabled Jennison to retire several inefficient and expensive to maintain legacy systems. This provided major gains in data accuracy and real-time management of executed trades earlier in the middle office trade management process.

Jason Minkler, Managing Director and Head of Operations at Jennison Associates, said: "Salerio provides exception management workflows across multiple asset classes via a centralised dashboard which has significantly improved our middle-office processes. We are now able to automate trade workflows and reduce operational risk. The software delivers the mission critical capabilities and governance needed to get ahead of issues."

Minkler adds: "The Jennison team and corfinancial worked very well together, forming a strong partnership that gave us a solid knowledge base before going live with equities in December. Additional asset classes are scheduled to go live throughout 2023. Furthermore, Salerio supports Jennison's global trading model, with corfinancial providing round-the-clock support."

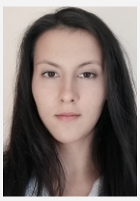
David Veal, Senior Executive – Client Solutions at corfinancial, said: "Our post-trade processing solution is intuitive, making it easy for clients like Jennison Associates to migrate away from legacy systems with confidence. Working in partnership with Jennison, we have enhanced Salerio, which will benefit firms preparing for T+1."

News in Brief



Carolyn joins Accounts team
Carolyn Redhead is the new Senior Bookkeeper in Accounts, reporting to Lorraine Clarke.

Gurpreet joins BITA Risk
Welcome to Gurpreet Deusi, the new Team Lead in Client Services for BITA Risk. Gurpreet started in May 2023.



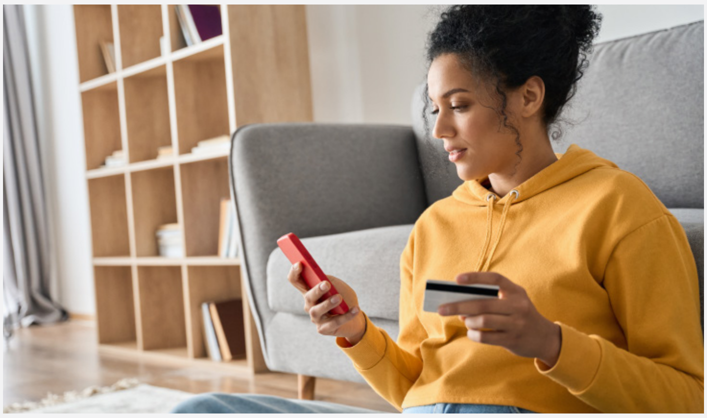
New starter in Salerio
We are delighted to welcome Henrietta Sohi to the Salerio team as a Support Analyst.

The differentiation potential within Consumer Duty

Late July saw the Financial Conduct Authority unveil the finalised version of its new Consumer Duty regulations, setting in motion what the regulator has termed a "paradigm shift" in its expectations of the UK's retail financial institutions. Highly laudable though its aims certainly are, the timeframes for implementation are short and the challenges around proving compliance numerous.

Canvassing the large and growing range of institutions which already rely on our products reveals a heartening degree of confidence in how they will cope with the new rules. Others who have perhaps held back on their investments are now feeling the 2023 deadline bearing down. The industry is however showing itself eager to wring the maximum business benefits from this compliance challenge, as it should: rather than merely "ticking the box", EY* has found that 60% of firms want to take a holistic, business-wide approach to the Consumer Duty rules.

What this already looks like at our client firms is very positive, with foreseeable harm monitoring, performance and yield outcome monitoring already deployed in many cases. This monitoring – with the attendant MI (management information) on trends and systemic issue identification – is backed up by a systematic approach to collecting reasons why a portfolio may be out of line, enabling management of the exceptions apart from consistency checks on the core.



But, of course, for the best providers, all this is about so much more than fending off potential compliance concerns. They will want to be able to deeply interrogate their information to be absolutely sure that their clients are achieving optimal outcomes - and to be able to further improve their investment and advisory strategies wherever they can. From our experience, the message that duties can be readily transformed into differentiation opportunities is very much one firms want to hear.

Moving into SaaS

corfinancial is busy working on a SaaS (software-as-a-service) offering in the fixed income accounting space. This will be a totally new service and the first cloud-native product from corfinancial.

Commenting on the news, Bruce Hobson, CEO of corfinancial said: "We are very excited about this new service that our developers are creating. We recognise that for some business areas, a SaaS offering is the preferred method of delivery as it involves zero project management and automated upgrades. Flexible, low overhead software systems without the headache and cost of local installation are increasingly popular demand. We are also developing a SaaS offering in the trade processing space, to be launched during 2025."

Man Group looks to SureVu for failed trade management

Man Group, the world's second largest hedge fund manager, has implemented corfinancial's Central Securities Depositories Regulation (CSDR) software, SureVu.

SureVu enables buy-side firms to manage failed trades and cash penalty fees (as defined by the Settlement Discipline Regime) in one single solution.

"We were incredibly impressed by the speed with which SureVu went into production. Within three months, we had 90% of our custodians and prime brokers on-boarded," said Antonio Dos Santos, Head of London Investment Operations at Man Group.

Hawksmoor Investment Management signs up for BITA Wealth

Specialist investment and fund management business, Hawksmoor Investment Management, has signed up for BITA Risk's enhanced portfolio monitoring solution – BITA Wealth.

BITA Wealth delivers the analysis, data and management intelligence required to help towards delivering the requirements of the FCA's newly introduced Consumer Duty, spotting foreseeable harm exceptions, accelerating their remediation and providing robust governance arrangements that provide and evidence good customer outcomes.

Hawksmoor's CEO, Sarah Soar, commented: "We selected BITA Wealth after an extensive RFP process due to its reputation in delivering consistent client outcomes. The platform gives us enterprise oversight and control – enabling us to efficiently manage the risks of portfolio drift. The software will further empower our advisors with intuitive, relevant portfolio analytics that facilitate freedom within an established investment framework. In a nutshell, BITA Wealth will help us scale and manage our business as we continue with our acquisition strategy and bring other investment management firms into the Hawksmoor stable."

"Our software will help ensure a consistent approach to oversight across Hawksmoor's diverse range of investment managers. BITA Wealth will also support the implementation of Hawksmoor's overarching investment strategy and further solidify their excellent risk management processes," commented Daryl Roxburgh, President and Global Head, BITA Risk. Hawksmoor Investment Management is a highly acquisitive wealth management firm, specialising in providing high quality discretionary management services for private clients including trusts, pension schemes and charities.

Baillie Gifford goes live with SureVu for CSDR compliance

In December we announced the implementation of our SDR (Settlement Discipline Regime) management software SureVu® at Edinburgh-based investment manager Baillie Gifford.

Baillie Gifford is unique in the UK in being a large-scale investment business that has remained an independent private partnership, who manage and advise £228bn (US$ 253bn) in specialist equity, fixed income and multi-asset portfolios for a global client base.

"SureVu is a very user-friendly system that clearly presents data on the problem trades that require attention. The 'exceptions' tab and the management dashboard is an immediate time-saver for us. The visibility and prioritisation that SureVu provides has improved efficiency for us, enabling us to proactively resolve unmatched trades before they fail," says Daryl Salmon, Equity & Bond Operations Manager at Baillie Gifford. "Additionally, the shift towards a reduced settlement period is certainly driving operational process efficiencies across the investment management industry. By onboarding SureVu it is ultimately going to make our lives easier when T+1 comes into play," explains Salmon.

"In an ever-tightening regulatory environment, it is even more critical to closely monitor trades through the settlement cycle," says Bruce Hobson, CEO at corfinancial. "Following the introduction of the new CSDR regulation, it is imperative to have a timely and reliable solution that enables firms to effectively govern middle office processes."

BAILLIE GIFFORD

SureVu.

TCFD - helping the wealth industry make its mark on climate change

Regulation concerned with sustainability is on the rise and TCFD (Task Force on Climate-Related Financial Disclosures) reporting will be a challenge for many firms. While the initial requirements relate to larger institutions and certain client portfolios, firms with £5bn plus AUM will also have to report, with comparisons to data collected in 2023, meaning careful planning is needed now. This historic comparison data will add further to the complexity of the 100 plus data points in the Investment Association TCFD report template.

In addition, this data will need to be aggregated across client portfolios for entity reporting. Lastly, there is clear direction from the regulator that on-demand reporting is expected to be made available to all clients in due course. In summary, there are significant challenges in TCFD reporting.

Having considered the requirements to provide year on year metrics at portfolio level and to be able to aggregate metrics across client segments, we have suggested using this data to identify stranded assets, portfolios with climate risk exposure and to demonstrate a firm's changing exposure through time.

With a structured data approach, communicating to clients the investment firm's stewardship activity and mitigating reasons for holding carbon heavy stocks, not only becomes easy, but drives a demonstration of the firm's worth to the client. How to make climate impact information relevant and readily comprehensible is not just a matter of client satisfaction, although it certainly is that; helping people to make investment decisions which reflect their priorities in the widest sense is what the disclosure rules are all about.

The TCFD rules aim to serve the most high-minded of principles, but as we help to steer capital to more sustainable deployment, the industry must stay firmly in the realm of their practical application too.

T+1 moves one step closer - are you ready?

In February the SEC confirmed that the long-anticipated move to T+1 will proceed and has announced an upbeat date for delivery.

Some quarters of the investment management industry have expressed concerns about the bullish timeline (full compliance by 28 May 2024), but there is no doubt that very soon there will be an industry-wide move from the current trading day plus two (T+2) settlement cycle to the shorter, one-day, T+1 time frame for North American equity markets. This leaves only 15 months in which firms must fundamentally upgrade their settlement processes and technology stack.

In a T+1 settlement cycle, the confirmation or affirmation process should really occur on trade date – mostly at the close of business in the region in order for the trade to definitely settle the following day. There's very little time for the firm to identify a mistake.

This is one of the 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.

learn more ›

Penalty spot: are buy-side firms hitting the SDR target?

How have buy-side firms adapted to the Settlement Discipline Regime and what are the operational challenges that remain?

The Settlement Discipline Regime – an obligation stemming from the European Commission's review of the Central Securities Depositories Regulation (CSDR), – came into force on 1 February 2022. These additional regulatory processes supplement the existing CSDR protocols and focus on enhanced controls and governance around trade settlement.

In this article we highlight anecdotal thoughts and feedback received from market participants and corfinancial clients who have been working with the proposed changes. Full details of this feedback can be found in this Discussion Paper.

Failed Trade Management and T+1 Lifecycle

Buy-side firms in Europe that trade in US instruments will soon have less time in which to allocate and fund stocks, resolve any settlement issues and comply with the CSDR's new penalties regime.

Having access to a central source of executed trade data and being able to track transactions throughout the entire securities lifecycle is vital to facilitating settlement efficiencies. Clients want robust governance with which to minimise trade settlement failure. However, there are changes to operational processes and potentially regional coverage that need to be considered in future environments that support global trading from Asia to Europe and the US, especially when a single middle office team manages this. Firms must work towards avoiding trade failure rather than managing this after the event. Having the right tools to achieve this in a near real-time environment is essential.

Cash Penalty Fees Management

The provision of prime broker or custodian statements to support the reconciliation of cash penalty fees is improving, but there is still a way to go. The sentiment we received was that some parties still lack the full infrastructure to manage the timely provision of cash penalty fee data, so some may be choosing to absorb cash penalty fee debits rather than passing them on (although penalty fee credits are being sent).

Automating The Processes

Some feedback focused on the most effective trade records on which to base best practice controls and governance. It was suggested that some solutions base their primary trade position records on the market side of trades, whereas solutions like SureVu® centre on the buy-side view of executed trades. There are clear differences with how solutions in the space have been designed. It is uncertain how these different models will evolve in the lead up to T+1 and beyond.

Our SureVu SDR solution was designed differently.

We believe it is essential to manage post execution trade settlement positions from their own record of executed trades, not data assimilated by third parties.

We believe it is essential to manage post execution trade settlement positions from their own record of executed trades.

Lorraine moves up

Lorraine Clarke has been promoted to Finance Manager. She has been a loyal and highly efficient member of the Accounts team since 2005.

corfinancial moves to new offices on London's Cannon Street

In December last year corfinancial moved to sleek new offices in the City of London. corfinancial's new base, opposite Cannon Street station, has been redesigned with wellbeing in mind. Using natural materials and colours throughout, 107 Cannon Street offers fantastic amenities and a roof terrace. Healthy food options include a Tossed Salad Bar on the ground floor.

Bruce Hobson, CEO, corfinancial: "Since the pandemic, working practices have shifted and there is a desire for more flexibility during the working week. Our new base in London gives our staff the best of both worlds."

The new address is 5th Floor, 107 Cannon Street, London EC4N 5AF, UK. Telephone numbers remain unchanged.

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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.