

# Digital Transformation: Solutions with Substance for Securities Finance



A recent PASLA podcast asked what is this “digital transformation” we hear so much about? Is it the wholesale adaptation to an entirely new way of working, or is it the integration of emerging and embedding technology to enhance the day-to-day operating model of firms, for the better and how to reconcile that with local versus global regulatory pressures? EquiLend’s Head of Asia, **Andrew McCardle**, expands on his thoughts on the same in this article.

## **A Change Is as Good as a Break... Unless It’s Finance**

Increased transparency across all corners of finance, when it came, was overdue. Financial centres generating billions of dollars a day, running on legacy technology and a 24-hour work culture--some might argue the sector felt resistant to change. That change was heralded by the birth of Silicon Valley, adding a freshness to IT and infrastructure which had sorely been lacking. Challenging the idea of IT as a means to an end and reframing it as exciting, instant, powerful--the gateway to the future--was enticing. Timing is everything.

We now see change from all quarters: regulatory change, technological change, global and economic change. The world of finance has been buffered by strong winds in the past 4 years, yet no core infrastructure malfunctions have occurred despite huge stock volatility and runs on banks, to name a few. This is testament to the technological change

which our sector has embraced. Regulatory change has played a role in this adoption, with regulators rightly demanding greater transparency, better processes, fewer breaks, fewer fails and ever decreasing settlement cycles.

Regulators in APAC have the same priorities as their US and EU counterparts, but where change comes slowly in those more established markets - with some 10 years lead time since the first proposal of SFTR for the EU - we see more immediate, decisive action from regulators in parts of the APAC market. This speaks to the desire of local regulators to inspect markets even in their relative infancy and put in place the safeguards that larger financial centres have learned expensive lessons from.

## **Keeping on the Right Side of Regulation**

A mention of EquiLend is overdue here given our role in early digital transformation in

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securities finance 22 years ago with automated trading and post-trade services, along with our role as a data, reg-tech and platform provider in the APAC financial community. Our more than two decades of heritage in bringing efficiency to trade execution and lifecycle management has powered our ambitions as we have grown to encompass an end-to-end suite of lifecycle management solutions, real-time data and reporting tools.

A key element of our role in APAC is in supporting firms in being on the right side of any regulation, regionally or globally. EquiLend’s positioning as a trading platform contributes an additional layer of confidence for regulators in the data, as it gives timestamped confirmations with trade details to make it easy for verification. Transformative, real-time data is available for firms on NGT, making trading and reporting all the more accurate for firms and regulators.

There are global challenges to be solved with tech which western regulators have smartly addressed with SFTR in EU markets and the looming 10c-1 in the US. Whether Japan, Australia and other regional markets will look to adopt this style of regular reporting cadence remains to be seen. T+1 promises to be interesting for our sector as without diligent preparation and adoption of automated tech solutions, we expect to see increased bottlenecks across the lifecycle of the trade. With the global market cut-off running to US end of day, ensuring process flow for APAC trades continues in line with the US is an opportunity to engage eager firms to address future challenges now with forward-looking,



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global solutions, something which has often been a budgetary challenge.

Incrementally, transformative digital tech has and continues to address data inaccuracy and latency, collateral overexposure and settlement failure, to name a few. The contribution to global market liquidity risk inherent in each of these, especially in a T+1 or even T+0 environment, can be removed by the adoption of automation to smooth every part of the trade lifecycle, such as EquiLend has been offering for a number of years already.

Each of our step changes in line with the industry were disruptive and either brought to market or supported any variety of incoming change mentioned so far. Truly transformational technology, however, operates in new bounds, and our latest innovation ISource, a DLT-based single source of truth for securities finance, is already making waves.

#### **Substantial Change is Afoot**

APAC is a region whose regulators are already adapting to change with vigour; as with the rest of the world, settlement cycles are changing, and with some of the most stringent punitive damages, transformational technology could deliver some of the greatest benefits here. For the times, transformational attitudes are important. Change makers are pushing new ideas, solutions and adaptations daily. AI is now a part of our present, not in a far-off sci-fi future. Returning to our search for a definition of digital transformation, it would be inaccurate for us to define digital transformation within the narrow confines of only moving to entirely new ways of working or to position it simply as an enhancement of the old. The real definition is broader. It lies in a challenge to markets to do more and do better and face the future head on. ■



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