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View from the Bridge

**BRUCE HOBSON, CEO
CORFINANCIAL**

So much has changed since our last newsletter was published. Situations and challenges have emerged over the last six months that we could never have imagined. These are my own reflections of running a software business and interfacing with clients during this quite extraordinary period.

The transition into lockdown occurred very rapidly. The UK Government guidelines changed from 'this is not a major issue' to a full lockdown scenario within a matter of weeks. As the news of COVID-19 spread (but ahead of the announcement of a pandemic), we were testing our disaster recovery systems.

Since lockdown, we have invested further in improving the security of our infrastructure and ensuring that the delivery of our service remains

uninterrupted. Like all software businesses, we are hugely dependent on the Internet and therefore the security around our systems when interfacing with our clients becomes even more critical. Simultaneously, our industry has witnessed an increase in malware and cyber-attacks. Our cyber-attack prevention preparations have stood the test and we have not been impacted by the increase in cyber related activity.

With our staff working from home, our information security and virus prevention measures have to be the best possible. Fortunately, our staff have always had the right equipment at home to enable them to operate securely while being in a remote location (see page 3 - 'Our response to the growing menace of ransomware').

The lockdown didn't just affect our staff, of course. Suddenly, we were supporting

clients that were used to working in an office environment but were now sitting in their dining rooms at home using software remotely.

Meanwhile, during the early stages of lockdown trading volatility increased enormously. In our business continuity preparations we had made our securities processing solution Salerio more scalable, something that became crucial during this period. Our systems bore the extra load admirably. Indeed, during lockdown we delivered to Baillie Gifford a seamless migration of its futures processing to our post-trade application, Salerio (more on that story on page 2 - 'Futures processing for Baillie Gifford').

Whilst the recent market volatility has been painful for some of our clients (and even more so for the underlying asset owners), a number of surveys involving CEOs from leading



organisations in investment management have shown that their view remains positive: they will continue to invest for the long-term. In this vein, we have also continued with our plans for significant strategic investments, one of which is embracing the market requirements for ESG within BITA Risk (see page 3 - 'ESG and Regulation 9 enhancements to BITA Wealth' for more details). We are actively collaborating with leading wealthtech consultancy F2 Strategy.

Finally, I would like to thank our staff, who have adapted swiftly and diligently to remote working and have ensured that this transition has been seamless from our clients' perspective.

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corfinancial launches settlement discipline solution SureVu

In April we brought to market SureVu, a solution designed to help buy- and sell-side firms avoid the cost of failed trades.

SureVu is our response to upcoming changes to the Central Securities Depositories Regulation (CSDR), which requires trading venues and investment firms established in the EU to improve settlement discipline by 1 February 2021. These enhancements, known

as the Settlement Discipline Regime (SDR), mean that where a settlement fail occurs, depositories must impose cash penalties on failing participants as well as compulsory buy-ins after a short time.

We have developed SureVu as a cloud-based, fully managed service. The objective was to create a consolidated solution for enforcing settlement discipline within investment



managers, broker-dealers, asset and securities services firms, and custodians in order to be SDR compliant. Presented

in a web-based dashboard, SureVu manages trade exposure on a near real-time basis.

"The fact is that under SDR, every failed trade will have a price tag," says Bruce Hobson, CEO at corfinancial. "SureVu safeguards buy- and sell-side firms from falling foul of mandatory buy-ins by providing exception management processing across the full settlement cycle."

News in Brief

New home for Paragon

The Paragon team have now settled in a vibrant new office at One Beacon Street, Boston. The light, airy and modern environment provides excellent working conditions for our staff.

Costars upgrade

Costars has been completely upgraded and now operates under Windows 2019. Due to the Costars architecture, no modifications were needed within the application so the upgrade was seamless.

BITA Risk wins New York Compliance award

BITA Risk has triumphed at the Seventh Annual Family Wealth Report Awards, winning the prestigious Best Compliance Solution category.



Commercial

WORLD

SDR communication standards – doubts persist

At the heart of the upcoming Settlement Discipline Regime (SDR) is a communications conundrum that unfortunately has typified many recent attempts at regulation.

There is uncertainty surrounding the method with which custodians and broker dealers will communicate the breakdown of penalty fees to asset managers. Buy-side firms are hoping that all parties will agree on a standard for communicating the penalty information, and this is key as an asset manager may deal with a few to several hundred custodians. All this necessitates cast-iron communications, but, as yet, there is still no agreed SWIFT messaging standard

between custodians, CSDs and asset managers.

If all custodians send the penalty information to the asset manager as a specific SWIFT message, at least there will be some structure in the way the data is presented. This policy has been discussed by the EU but has not been confirmed to date and lingering doubts concerning communication standards remain.

Furthermore, clarity is still required around the timing of penalty notices. It appears that some custodians may provide daily updates on a trade by trade basis, along with month-end summary data, potentially netting the costs. How this data will relate back to transaction records



at block and allocation level is not yet clear, which leads to concerns associated with the extensive efforts required to reconcile the charges with underlying portfolios, funds or accounts.

As with most regulatory changes, it is the

Six key challenges of implementing the SDR

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specification of the operational processes required to comply with them that create uncertainty and concerns relating to the impact on operational team resources.

The SureVu team continues to monitor the situation.

New modules for BITA Wealth

BITA Wealth has released some exciting new modules in the first half of 2020.



1. Model Management – enables the use of the Portfolio Management Page advanced analytics including risk, macro factors and soon ESG, in the build of model portfolios; plus admin of model versions and parameterisation for matching to client profiles.

2. Optimisation – the BITA Optimiser is now integrated into the Portfolio Management Page for asset allocation and holding level portfolio optimisation,

complete with a range of constraints.

3. Team Buy List – records and manages due diligence on assets not on the central buy list. Once approved to be on a team buy list, the asset will pass monitor checks for clients in that team. This can also be used to manage the central buy list and disseminate research views.

4. Bulk Trade – an evolution of the Portfolio Management Page that tests pre-trade portfolio monitor

checks. Bulk Trade enables a stock to be modelled as a buy or sell, or a pair as a switch, across a defined group of portfolios and the impact on key monitor tests checked before exporting trades.

5. Liquidity – looking at five measures in both time series and cross sectionally, to test for potential reduced liquidity and flagging stocks at the bottom end of these tests as alerts at holding, portfolio and monitor levels.

Futures processing for Baillie Gifford

Edinburgh-based investment manager Baillie Gifford has migrated the processing of its futures transactions to corfinancial's post-trade application, Salerio.

Baillie Gifford selected Salerio in 2018 after a review of its proprietary trade matching and settlement practices. The firm decided that it was time to transition its existing operating model to a strategic solution that encompassed the entire trade processing lifecycle.

Initially, Salerio was used for Baillie Gifford's equity and bond trading, but since April 2020 futures transactions have been added to the asset mix.

"The fact that we went live on futures during lockdown bears testimony to the robust nature of the Salerio application and the flexibility of corfinancial's implementation team," said Louise Laidlaw, Head of Settlements, Baillie Gifford. "We ran Salerio in parallel with our legacy futures application until we were ready to switch the old system off. Ultimately we had a flawless transition."

CTM enhancements for Salerio

The Salerio team is evaluating potential enhancements to the Salerio CTM module, in preparation for the decommissioning of the DTCC OASYS platform.

Technology

GLOBAL

ESG and Regulation 9 enhancements to BITA Wealth

There have been two major use-case developments within the BITA Wealth solution.

The first of these is that we have made responsible investing core to its functionality, creating a practical way of managing ESG factors as part of day-to-day portfolio investment.

There are four easy steps to ESG Management within BITA Wealth:

- 1. Capture the client preferences for responsible investing:** from a simple "green" preference to specific ESG factors and Impact statements.
- 2. Review the portfolio:** see the ESG factor exposures, conflicts between client preferences and exposures, and comparisons

between the portfolio and benchmark exposures.

- 3. Manage the portfolio exposures through portfolio 'what-if,'** change holding weights and immediately see how portfolio exposures and conflicts change.

- 4. Report:** share the data with your client.

The second development is that BITA Wealth now assists US bank trusts in automating their obligations under Regulation 9.

Regulation 9 (REG-9) sets out the requirements for banks to operate trust departments as fiduciaries in the United States.

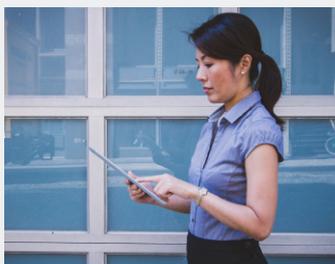
At least once a year, banks must review all the assets in a



trust portfolio and make sure that the assets are consistent with the stated objectives. Where there are exceptions, these need to be documented, explained and managed. In addition, performance needs to be tracked with a process in place for handling performance outliers.

BITA Wealth provides automation, and pre- and post-trade checking of the key REG-9 requirements, delivering an efficient, demonstrable and auditable process across all clients, with full reporting at the advisor and enterprise levels as well as the annual review report.

Enhanced security and support desk changes to Paragon



We are pleased to announce the release of Paragon 6.1, introducing significant security enhancements within the application. These improvements are based on constantly adapting standards and protocols established by Veracode, an application security company based in Burlington, Massachusetts. Founded in 2006, the company provides an automated cloud-based service for securing web, mobile and third-party enterprise applications.

Paragon is now Veracode Certified, which means that its code bases are scanned and approved at the highest standard. We are now encrypting data as it passes between our front end platform and the back end of the system, providing encryption of data at rest and in transit.

In addition, we have introduced a new Support Helpdesk system for Paragon. Utilising

software to automate support workflow, the system includes automated ticket reference and tracking. The purpose of this documented support process is to improve the client experience and enable us to better respond to client needs.

Paragon clients contacting the Support Helpdesk receive an immediate auto-response including a reference number, so they know their issue has been logged. Following this, any notes added to the system by Client Services with respect to a resolution will also be received by the client and enable them to provide feedback. "This new approach will reduce our reliance on emails used by the Support Helpdesk and provide more transparency for our management team and clients as they engage with Client Services," says Kirk Kerr, Operations Manager, Paragon.

Our response to the growing menace of ransomware



Despite a sense of 'business slowdown' during the lockdown, malicious cyber activity continues to escalate as criminals seek to target unplanned working-from-home practices.

corfinancial is serious about countering the threat from the multi-billion dollar ransomware industry and has launched a root-and-branch review of its security position, designed to protect its data.

Building on the success of achieving ISO 27001 certification for the company's information security management system, Tech Services is bolstering three

layers of IT security, aimed at:

1. Preventing unauthorised intrusion to the company network
2. Detecting malicious activity within the company network
3. Recovering from significant destruction of valuable data

"Leveraging a blend of state-of-the-art technology, staff awareness and the very best security practices in the IT industry today, Tech Services is keeping the company fully protected from ransomware," says Jon Glover, Group Network Manager.

corfinancial achieves full ISO 27001 standard

corfinancial has now achieved full certification for ISO 27001 (the UK equivalent of SOC 2). David Veal, Senior Executive – Client Solutions, said: "Thanks to the diligence of Jon Glover, this programme of work proves that our services, processes, protocols and security measures

adhere to the highest industry standards. Our ISO Management team will ensure that our policies and protocols continue to protect our clients' data and interests. ISO 27001 will also provide the foundations for more effective policies and processes for SOC2."

CONTACT

Email: info@corfinancialgroup.com

Visit: www.corfinancialgroup.com

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.

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