

Embracing regulatory changes with an agile mindset and technology

Metrosoft's Petra Roche suggests preparation for the Sixth AML Directive presents an opportunity for fund services players to improve competitiveness and their digital service for clients

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Since 1999, Metrosoft has often been ahead of the game, working on ground-breaking and transformational technologies such as a voice system for account holding information including voice command (1999), e-statements (as early as 2000), web access to holding and transaction data (early 2000s) and of course real-time list screening (2004) along with real-time transaction monitoring (2007).

Anti-money laundering (AML) and counter-terrorist financing (CTF) has always formed part of Metrosoft's focus and their Compliance application, which is part of the Metrosoft Fundsphere platform, also includes a know-your-customer (KYC) module to support a seamless and automated investor onboarding process.

As the investment fund industry continues to change at an accelerating pace, the market is facing regulatory pressure, shrinking margins and, most importantly, demand from their investors to catch up with the digital service economy.

The COVID-19 pandemic has added even more strain, both on asset servicing institutions attempting to quickly mitigate the financial impact of the pandemic, and on compliance teams aiming to become more effective in handling increasing volumes of complex cases while having to work with outdated technology that makes processes cumbersome and inefficient.

In the EU, six AML directives have been adopted over the last 30 years, with further reform proposals under consideration. The Fifth Anti Money Laundering Directive, implemented in early 2020, shared much of the Fourth Anti Money Laundering Directive's focus with provisions to strengthen and expand existing AML/CTF regulations. These included the introduction of centralised ultimate beneficial owner registers mandatory for EU companies to review, a requirement for firms to perform enhanced due diligence (EDD) on customers from high-risk countries in order to better manage AML/CTF deficiencies, and the

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disclosure of publicly available functional politically exposed person (PEP) lists. When it comes into effect later this year, the Sixth Anti Money Laundering Directive will provide a harmonised definition of money laundering across all EU countries in order to close loopholes in domestic legislation.

Familiarity with current requirements is essential in order to fully appreciate the impact of the regulatory changes of tomorrow. In fact, it is likely that the existing requirements will continue to be adjusted as knowledge of criminal practices deepens and as collaborations with regulators in other parts of the world become more frequent.

To add a further level of complexity, the unprecedented situation caused by the COVID-19 pandemic is also accelerating digital transformation in the AML/CTF area, which is likely to re-focus European regulators' attention on the challenges and opportunities of remote and automated investor onboarding. A public consultation on the digital finance strategy conducted

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by the EU, combined with the guidance issued across the EU in response to the COVID-19 pandemic, also highlights the role that technology will continue to play in enhancing the industry's response to financial crime in a robust, innovative and more effective manner.

In order to be able to comply with current and future regulations and to adapt to the rapid changes the industry is undergoing, asset managers and service providers must have, first and foremost, effective controls in place to understand and manage their risk in a way that enables them to act quickly. Using technology in the form of a coherent and cost-effective system that combines functionalities for investor onboarding, screening, KYC, transaction monitoring, account maintenance, reporting and client service supports financial services organisations in putting these controls in place. Once this is achieved, a better understanding of environmental dynamics and their

impact on the business — with a real-time view of the current state of affairs — will allow organisations to focus on what really helps them grow: looking after their clients and taking on new business.

Change and transformation in the asset servicing industry, and the implementation of new rules and regulations, are inevitable. Embracing this transformation fearlessly by investing in a change of culture and mindset will allow organisations to focus on what is truly important and to gradually shift towards agility and innovation.

Metrosoft's solutions facilitate this shift for financial services companies. They provide a real-time, data-driven system that supports the entire investor journey from the first contact, through to onboarding and ongoing servicing.

The various web-based Fundsphere applications are easy to use, accessible to investors, distributors, asset managers and asset servicers and allow for instant feedback, which is what is expected by today's clientele. Risk management and control are no longer a tick-box exercise but have become a part of the way the business is run, with a better understanding of their current state and improved compliance.

Features of the Fundsphere platform include KYC with automated sanctions and PEP screening, transaction monitoring, integration of trusted data sources, collection and analysis of digital data and use of metrics to highlight areas for optimisation, to name just a few.

Preparing for the implementation of the Sixth Anti Money Laundering Directive, and regulatory obligations beyond, presents an opportunity for fund services players to improve their competitiveness and digital service for their clients.

With the agility and mindset change that the implementation of the Metrosoft Fundsphere Compliance application can bring, financial services organisations can embrace the transformation the industry is undergoing and give their existing and future clients the focus they deserve.