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Raiffeisen Bank International
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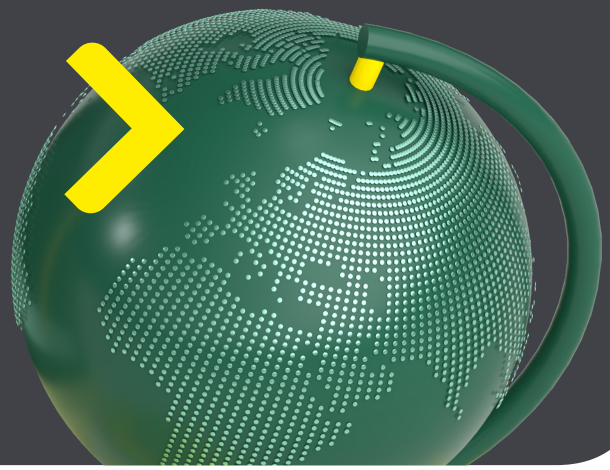
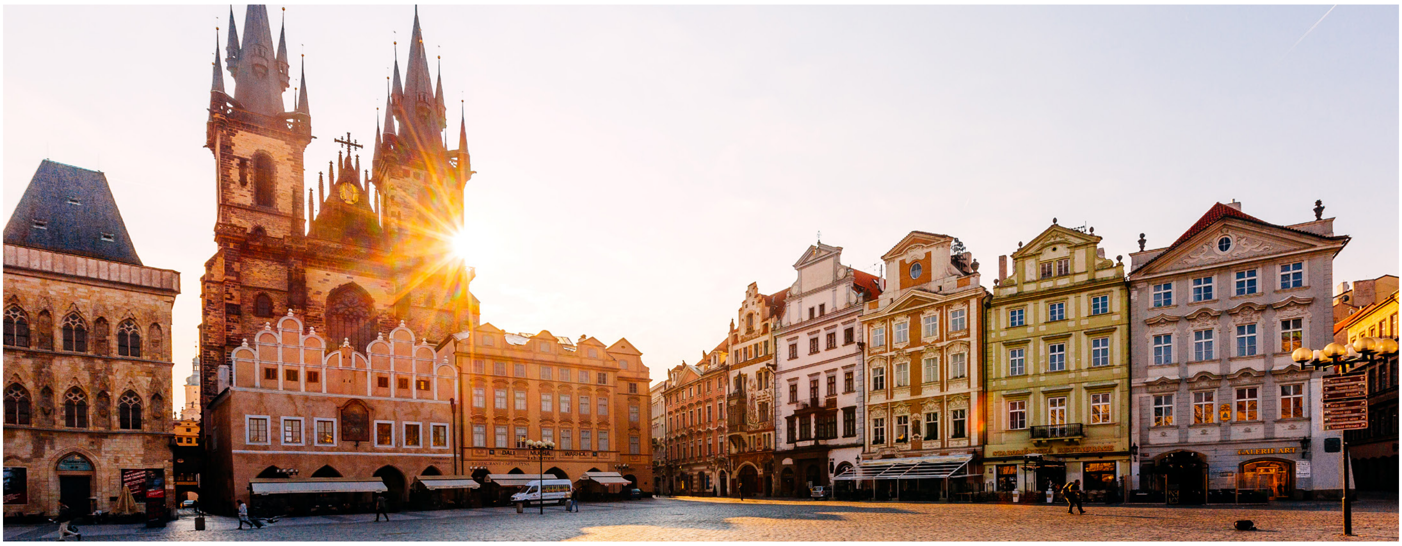
GPS Press

Group Prime Services





In this issue

East to west

Our home markets in Central and Eastern Europe have matured, and I firmly believe that Raiffeisen's proactive engagement locally has significantly contributed to their advancement. Our post-trading professionals have not only established efficient and reliable services on the ground but have also been providing consultation to policymakers on legislative matters and advocating for enhancements in shareholder rights.

From the standpoint of international investors, the region has shed its aura of adventure. While certain markets may still rank below the status of Emerging markets, it is crucial to acknowledge the substantial efforts made in establishing a high-quality investment framework.

Aligned with the growing investors' appetite coming from CEE, this publication has undergone a facelift. We have introduced additional content focused on developed capital markets, beginning with the USA. Our goal is to not only provide market insights but also showcase the tailored solutions that RBI has available.

With that commitment in mind, we will persist in reporting on our core markets, placing particular emphasis on the Czech Republic in this issue. Additionally, we will continue to furnish updates on market infrastructure in the Russian Federation and Ukraine. To enhance our coverage, we are introducing ESG-related content, aligning with the evolving landscape of responsible and sustainable investing.

Stay tuned for a well-rounded and insightful blend of market news in our upcoming publications!

Bettina Janoschek
Head of Prime Services Sales,
RM & Market Intelligence

Bridge over troubled water

Unemployment remains at a record low, while other key figures of the Czech economy sound less promising. In response, the central bank is lowering the key interest rates at a breathtaking pace.

For Czech citizens, the year 2024 began with an unexpected message from President Petr Pavel. Viewers rubbed their bleary eyes when he, practically out of the blue, brought up euro introduction and called upon policy makers to action. He reminded them of the country's self-commitment to adopting the single European currency, which was made during EU entry twenty years ago.

Alas, this impassioned plea did not sit well with most politicians. As a matter of fact, the majority of the population opposes giving up the Czech koruna in favor of the euro. Also within the government, which constitutes a five-party coalition, there is a common opinion on the future of the currency regime. Not even joining the European Exchange Rate Mechanism (ERM II), which would mean a two-year "waiting room" situation before adopting the new currency, is an option equally embraced by all five parties in power.

With its long and identity-establishing history, the koruna is a highly emotional matter, which more or less rules out a sober assessment of its future. Against this background, the discussion that the head of state had ignited in January was postponed to autumn. But that does by no means indicate that the single European currency plays no official role at all. Remarkably, the accounting regulations have been updated as per beginning of 2024, allowing Czech companies to keep their books in EUR if most of their business is generated in the eurozone. After all, about 80% of all exports go to the EU. Germany leads be far, absorbing one third of all Czech exports.

Interest rates dropping fast

The koruna suffered from a surprisingly bold interest rate cut in early February. In response to sluggish economic growth coupled with slowed-down inflation, the Czech National Bank decided to lower the key rate by 50 bp to 6.25%. Market observers expect more rate cuts to follow in the course of this year, which shall take place independently from the European Central Bank's actions.

Inflation keeps haunting Czechia. With a 10.7% annual inflation rate in 2023 Czechia marked the highest level within the EU. However, the trend points towards improvement, showing only 6.9% year-on-year in December and 2.3% in January, respectively.

Will ČEZ leave the stock market?

No issuer on the Czech equity market has a valuation nearly as large as ČEZ, the incumbent Czech utility company. Thus, the fate of the local market depends largely on this one company. But its fate is dominated by domestic politics, given its majority is held by the state.

Government plans dating back to the energy crisis one year ago foresee a deep-rooted reorganization of the country's largest energy producer. Ideas have been mulled about splitting the company in two parts and taking one of them back into state domain, whereas the other one would remain listed on the equity market. If these plans were realized, the Prague Stock Exchange would suffer a significant blow, market participants argue. Unfortunately, communication of the government regarding its intentions is neither transparent nor consistent, which has caused recent fluctuations of the share price.

Petr Koblic, CEO of the Prague Stock Exchange, in an interview with Bloomberg earlier this year warned that that ČEZ risked losing it attraction for foreign investors, which would mean the "end of the Czech capital market". (Please read more about Mr. Koblic's perspective on the market in our exclusive interview on the following pages.)

Power calibration
Since the Czech economy heavily relies on coal as a power source, alternatives have been examined to improve the carbon footprint. To this end, the government has distinctly (and unexpectedly) expanded its plans regarding nuclear power exploitation. It was announced in January that not just one, but up to four new reactor blocks shall be erected, mainly for cost considerations.

According to market sources, the new reactors are planned to be built at the Dukovany and Temelín sites. Interestingly, Westinghouse was excluded from taking part in the tender, which is still ongoing, for reasons that were not revealed.

The winner in this bidding process for an estimated 80 bn EUR investment shall be announced in May or June. With an eye on the situation of the state treasury, it remains to be seen if and how such an amount can be financed.

Stagnation here to stay?
The deep interconnection with the European car industry, which has brought prosperity over the past decades, may now turn into a liability. The Czech economy is nearly completely and utterly at the mercy of the likes of Volkswagen. Bumps in the business cases of those carmakers, particularly in Germany, have their repercussion on Czechia.

The orientation of the domestic economy towards manufacturing is one of the reasons that, of all European countries, Czechia is the one which has recovered from the pandemic the at the slowest pace. The turbulences in the energy market, accompanied by surging inflation and a shortage in skilled personnel, added their share and caused a contraction of economic activity by 0.4% in 2023. The statistical correlation with Germany, which lost 0.3% last year, could not be more evident.

Economic forecasts are benign, reflected in the European Commission's downgrading of its 2024 GDP forecast for Czechia from 1.4% to 1.1%. EC economists regard the respectable savings of the households as the resource of future growth. While exports are going back, they regard private consumption as the remaining backbone.

Fiscal consolidation, on the other hand, will be hard to achieve as long as the war in Ukraine continues. It is not an easy job to be the Czech President these days it seems – President Pavel has already shared that he will not run for a second term in office.

Going forward, it will be crucial for the Czech economy to manage the green transition with prudence and regain its firm place in the European value chain, even if the circumstances have changed.

Introduction of DIP
Part of the government´s efforts to improve the state budget is the introduction of a Long-term investment product (DIP) as per January this year. It intends to encourage people to prepare for their retirement by investing into certain asset classes, including stocks and bonds traded on regulated markets, while benefiting from tax incentives. It is an attractive proposition to people who like to invest and prefer not to rely solely on state pension or the existing private pension funds that are barely profitable under their current conservative investment strategies.

We can observe that this new product has captured the interest of both Czech citizens and DIP providers. Raiffeisen Czech Republic takes pride in being among the pioneering banks to provide this innovative product.

Karolína Staňková
Head of Custody Product Czech Republic

Making the market more approachable

The Czech stock market is known for its extraordinary dividend yields. A new pension scheme that includes investments in securities should support capital market development, Petr Koblic, CEO of the Prague Stock Exchange and President of Federation of European Securities Exchanges, told GPS Press.

Mr. Koblic, could you provide an assessment of the current state of the Czech equity market?
The Prague Stock Exchange aligns with the characteristics of a typical European medium-sized stock exchange, falling within the category of Emerging markets alongside Hungary and Poland, with Romania set to join soon. In terms of market size, we closely resemble the Hungarian. Our trading technology utilizes Deutsche Boerse T7.

Unlike Western European markets, the majority of trading in Czech stocks takes place on our order book, while OTC, dark pools, and alternative trading platforms only contribute to a minority of the trading volume. With a substantial presence spanning almost 25 years, our market has established robust connections with a majority of global traders, custodians, and asset managers.

The Prague Stock Exchange stands out for delivering one of the highest dividend yields in EU. While this is a positive attribute, it does present a challenge to achieving higher liquidity as the majority of our investors are index funds adhering to a buy-and-hold strategy.

What factors do you believe will have the most significant impact on the development of the market over the next few years?
I am quite optimistic, particularly with the number of retail investors and local asset managers, especially pension funds, growing. Last year, a legislation on a new pension product paved the way for the Long-term Investment Account, whose positive impact on market development is anticipated for the next couple of years, drawing parallels to successful models seen in Sweden, for example.
However, Czech legislators have a distinctive inclination towards "inventing the wheel", rather than "copy-pasting" successful models from abroad. This has manifested in never-ending discussions about tailoring an effective pension reform.

On the other hand, we experience growing competition from large European markets trying to persuade bigger local companies to list on their platforms. So far, this cherry-picking phenomenon does not pose a major problem, but if smaller markets start losing out on substantial IPOs, there is a risk of limiting their ability to support the issuance activity of small and medium enterprises.

The conversation surrounding the adoption of the euro in the Czech Republic has resurfaced. How do you anticipate it might affect the Prague Stock Exchange?
We do not perceive euro adoption as a major factor for the equity markets, though it could instigate certain shifts in the fixed-income markets. Analyzing the political debate on this subject, I consider it unlikely that we will switch to the euro in the next five years. Please don't take this wrong, I do support it as it would make life easier for many companies. Furthermore, it aligns with our obligation stipulated in the accession agreement, which received overwhelming support by the citizens in a referendum more than 20 years ago.

You have been instrumental in launching the START market on PSE. Has it demonstrated a tangible impact on the local economy?
Thank you for the credit! Indeed, we have successfully developed the START market for small and medium enterprises over the past few years. I have to say that we are really proud of the achievements, recognizing that we hit the nail on the head. With 15 listings on START, the market capitalization of the companies reached EUR 550 mn by the end of 2023.

Most of the European exchanges have endeavored to do the same, and some of them managed to develop very active SME markets, but many failed. It is a difficult task to bring the SMEs to the markets, as the members often refuse to support this activity. The effort required for SME IPO is similar to that of large caps, yet the fees calculated from smaller amounts are simply ... smaller. Additionally, for exchanges it represents a pure cost item.

START has already produced its success stories. Two issuers have matured to join the elite PRIME market, which is regarded as the "holy grail" or the raison d'être of such a market. Generally speaking, its favorable PR impact enhances the understanding of capital markets among Czech companies. Since the inception of the START segment, the interest to list on the exchange has dramatically grown.
Our aim is to unlock the capital market for small and medium-sized enterprises, anticipating a positive impact on the broader economy.

Can you envision a consolidation of Central Securities Depositories (CSDs) on the horizon, both regionally and within the European Union?
Well, this is a tough question to answer. While I do register the idealistic visions of certain policy makers in the EU, I believe that without bold unification steps in commercial and tax laws, any consolidation would mainly benefit ultra large blue-chips, leaving the remainder of the market in a disadvantaged position.

Interestingly, this development is indirectly facilitated by the EU, through political pressure towards unifying trading and post-trading. Although we do see value in the Capital Markets Union concept, there is a concern that supporting cherry-picking might trigger an adverse effect. Within the Federation of European Stock Exchanges, we are fully aware of this complexity and are trying to persuade the Commission to foster market cohesion by unifying accounting, bankruptcy laws, and securities regulations or by easing cross-border withholding tax claims.

In your role as the President of Federation of European Securities Exchanges, could you please fill us in on areas of collaboration among the member exchanges?
Sometimes it is not that easy, given the competitive nature of our roles. Nevertheless, there are numerous areas where we have common interests. A major common concern revolves around a transparent market structure within the EU. We are lagging behind both the U.S. and the Asian markets in trading volumes, but also in proportion of trades executed on transparent systems.

Most of the global banks actively, and I have to say successfully, lobby for what we call a "dealer's market", where trading occurs based on their quotes and preferably in opaque environments. In contrast, the exchanges advocate for a solution based on strengthening transparent pools of liquidity. Although we share the Commission that our overarching aim of fostering strong and vibrant capital markets in the EU, we struggle to agree on the way how to get there.

As a member of the High-Level Forum of the European Capital Market Union, could you provide insights into the discussions and topics under consideration?
I was so optimistic when I became a member of the "group of wise experts", alongside 27 CEOs of major banks, asset managers and policy makers - what an incredible pool of experience and knowledge! The initial four meetings were brimmed with very vibrant discussions, and it looked really promising. Then Covid-19 came upon us, and we shifted to online meetings, which proved disastrous. Carving out bold strategies for such a complex topic like EU capital markets through video calls is next to impossible.

While a few good initiatives like the European Single Access Point have endured, many others were "lost on video calls". What a pity! In addition to that, the Commission has given a cold shoulder to many of our recommendations. To be fair, many game-changing issues, such as tax unification, bankruptcy laws, fall beyond capital market legislation, and were put aside as unreachable for our group.

What are the current activities of the Power Exchange Central Europe?
The PXE, our joint venture with the European Energy Exchange, has shown a positive development that we are pleased with. However, the energy turbulence in the recent past led to a decline in market liquidity, resulting in two challenging years. On the other hand, we could leverage our position as the deepest pool of liquidity in 9 CEE countries and we experienced a swift return of liquidity.

I would like to highlight that we have developed a new market segment on PXE. It enables purchasing customers in the Czech Republic to access the exchange for single auctions and buy electricity directly from any exchange member. This innovative approach deviates from the typical member-to-member exchange market, but on the PXE non-professionals too can use the exchange to optimize their pricing. This segment is rapidly growing, prompting us to analyze the possibilities of extending this offer the service in other countries we cover.

Night train to America

As of 28 May, right after Memorial Day weekend, trading in the USA will never be the same as before. The settlement cycle will be shortened to one day (i.e., T+1). RBI clients need not worry: all RBI systems will be prepared to take them into this new era. Yet there are issues clients should be aware of and get prepared for themselves.

Will the market benefit from an accelerated settlement cycle? This question is heavily debated among industry experts at the moment.

Cost reduction is a strong argument in favour of T+1. A shorter timespan means less risk, fewer margin requirements and subsequently lower cost.

A major concern, on the other hand, is the possible increase of settlement fails. Long chains of intermediaries, different time zones, and various communication technologies used by market players to exchange information relevant for a trade may pose reason for issues. It is far from certain that the whole industry will be capable of passing on information quickly enough to manage the transition to T+1 by end of May seamlessly.

A shift to a T+1 settlement cycle means that all arrangements regarding allocation and affirmation of a transaction must be accomplished at the end of the trade day in the USA. Each party involved in the trade settlement needs to know and align what was traded, in which amount and for whom by 9 p.m. EST (i.e., 3 a.m. CET T+1), which is DTCC deadline for trades affirmation that can be compared with the trade matching procedure in Europe. This may turn out to be difficult for institutions that rely on a chain of intermediaries or operate in a different time zone. Therefore, having a partner that can provide solution and support for meeting the new deadlines becomes crucial.

The RBI solution

RBI's GPS team with its proven track-record in automatization is getting ready to take up the challenge. Where systems are sophisticated enough to process top-quality trade information at any given time, a change in the playbook does not cause much headache.

By extending its system operating hours, RBI and will be able to accept and process clients' instructions on a close to 24/7 basis. This in turn will allow RBI to offer clients the access to affirmation process and the night-time settlement cycle taking place outside standard operating hours. The trigger for the affirmation will be a properly structured settlement instruction ready for automated processing delivered to RBI by a respective deadline through one of the standardized communication channels (SWIFT, GIG entry, file through SFTP). Upon validating it and checking the securities' availability, the instruction will then be automatically forwarded for processing by RBI's subcustodian in the USA.

While RBI provides a new process for meeting the deadlines under the new T+1 regime, we now encourage our clients to drive on it diligently. They can save cost by looking into their own technical capabilities and adjusting them so that they fit a standardized environment and allow for communication between the machines. A user should rather avoid the risk of having an unclear trade instruction for a U.S. security waiting until an RBI expert will request its repair the next morning, because that will be too late for night-time cycle.

An addition to making the affirmation and settlement process work smoothly, we want to simplify the value chain, and diminish the risk of failure. By offering straight-through processing to the U.S. market with a broker-to-custody solution, we seek to control the entire transaction chain in the interest of our clients. This will eliminate the need for clients who opted for this solution to look after affirmation and settlement instructions since this part will be performed automatically, in one consolidated process by RBI with its local subcustodian.

New pre-settlement processing deadlines for the U.S. market:

Allocation	7 pm EST	1 am CET T+1
Confirmation	7 pm EST	1 am CET T+1
Affirmation	9 pm EST	3 am CET T+1

New DTCC processing timeline for the night-time cycle:

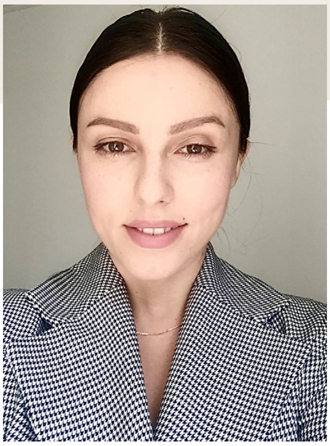
start	output
11:30 pm EST	1:30 am EST T+1
5:30 am CET T+1	7:30 am CET T+1

Trans-Atlantic collision risk
Holders of U.S. securities (cash equities, corporate debt, and unit investment trusts) are advised to be attentive about where they are kept. Shortening of the settlement cycle will leave less time for transfers and adjustments of portfolios. Clients should monitor the place of safekeeping of their U.S. assets and actively instruct portfolio transfers in anticipation of the transaction settlement to avoid securities shortages. Moreover, since Europe sticks to the T+2 regime, all American securities listed in Europe will be settled in the European way. Special attention should be paid in case positions were bought in one of the European markets and are planned to be sold in the U.S. market. A collision of settlement cycles may require securities borrowing to avoid settlement failure or prevent the sale altogether.

A strong move by the legislator
For Europeans, who are used to debating and seeking common ground with stakeholders before taking a final decision, it is striking how this new ruling came into force. Determined to eliminating vulnerabilities regarding liquidity and counterparty risk, the U.S. regulator burned the ships and walked into the jungle. The market participants had no other option than to follow.

While Canada and Mexico will implement T+1 as well, we do not see Europe moving into this direction as of yet. Although there is an ambition to shorten the settlement cycle, and we remember that Europe was a pioneer in moving from T+3 to T+2, European policymakers will most likely wait until the infrastructure is ready. According to the recent polls, European market participants expect this to be possible within 3-5 years, during which we will have to deal with being out of sync with the U.S. market.

Radoslaw Ignatowicz
Product Owner Custody, RBI



Replacement of Eurobonds by Russian issuers still underway

Russian legal entities with Eurobond-related obligations which are recorded by Russian depositories must fulfill special obligations since May 2023. They are forced to issue domestic replacement bonds that are paid for in Eurobonds or in cash at the time of placement. However, the replacement process, although quite active, was not completed by all issuers before 1 January 2024, as initially planned. Therefore, at the end of the previous year the deadline was extended by 6 months to 1 July.

Market experts predict a potential doubling of the volume of replacement bonds this year, considering more issuers will step into the game. The funds raised are specifically intended to purchase Eurobonds, allowing Russian issuers to restore channels for Eurobond payments to local investors.

In total, the law on replacement bonds covers about 100 Eurobond issues placed by 30 – 40 Russian corporate issuers or companies with a significant portion of assets in Russia.

Central Bank of Russia keeps key rate unchanged
In line with analysts' consensus forecasts, the Central Bank of Russia (CBR) mid-February decided to hold the key rate at 16% per annum. According to the CBR's Governor, Elvira Nabiullina, the key rate may be lowered for the first time in the second half-year of 2024, but the reduction will be gradual and smooth.

As evidenced by the updated CBR macroeconomic forecast published following the results of the board meeting, the rate in 2024 may drop to 13.5-15.5%, with further cuts to 8-10% in 2025, and 6-7% in 2026 respectively.

The growth of the Russian economy by 3.6% in 2023 was higher than previously predicted by the CBR. Taking into account the increased inflationary pressure, this indicates that domestic demand continues to significantly outstrip the possibilities of expanding the production of goods and services.

At the same time, the growing propensity of the population to save, the slowdown in consumer activity, and the cooling demand for imports are beginning to create conditions for the economy to return to balanced growth.

Ekaterina Goloviznina
Network Manager,
GPS Russia

War risk insurance as a catalyst for private investment

The Ukrainian Government's third Recovery and Needs Assessment (RDNA3), conducted in collaboration with the World Bank as of the end of 2023, estimates Ukraine's recovery and reconstruction costs at USD 486 bn over the next decade. Regrettably, the amount on the bill is on the rise. With partner financing insufficient and frozen Russian assets not an immediate solution, the Government is strategically turning to private investment. This approach is being pursued for both post-war rebuilding initiatives and urgent recovery projects, regardless of the conflict's duration.

In response to the risk level escalating due to the ongoing war, the Government created a war risk insurance infrastructure already in 2023, with plans for further expansion this year. At the beginning of February the National Bank of Ukraine approved a concept for creating a military risk insurance system in collaboration with international organizations and local experts. It will involve both mandatory and voluntary coverage, aiming to reduce costs and restore economic confidence. Initially, the focus will be on direct material losses from warfare, with plans for operational implementation during the current year.

A new law on War Risk Insurance aims to level the playing field for local investors, granting the Export Credit Agency of Ukraine the authority to insure them against military risks. The ECA is already preparing several products that are expected to be available to businesses this year. They include an insurance of international and national direct investments in Ukraine and dividends as well as of investment-related loans.

International backing

International financial organizations like the World Bank's Multilateral Investment Guarantee Agency (MIGA) and the U.S. International Development Finance Corporation (DFC) play a pivotal role in building the new insurance capacities.

MIGA, for instance, leverages the Support for Ukraine's Reconstruction and Economy Trust Fund (SURE TF) for guarantee issuance, collaborating with public and private entities such as reinsurers, development institutions, and export credit agencies to share risks and amplify investment volumes. The EBRD Technical Cooperation Fund, with backing from the European Commission, Norway, Switzerland, TaiwanBusiness and others, aims to revive Ukraine's private insurance market in partnership with key market players and public sector stakeholders. Moreover, individual partner states including Denmark, France, Germany, and Japan, have established funds to insure their own nationals' investments in Ukraine.

The Government has also introduced an international reinsurance pool designed for global firms to secure coverage against war risks in Ukraine. Its objective is to potentially reduce insurance costs for investments, aiming for an annual rate of 3-4%.

Setting a background for insurance modelling, a war risk data platform providing detailed maps of war-related incidents occurring since the Russian invasion was launched with assistance of Marsh McLennan. It is worth noticing that it revealed that, contrary to common opinion, 76% of Ukrainian communities encountered no war-related incidents in 2023.

Initiatives are bearing fruit

The Ministry of Economy, together with British partners, has already developed a war risk insurance for ships; MIGA has secured coverage for investments in Lviv's M10 industrial park and for a packaging manufacturer and a bank; the US DFC has committed USD 380 mn to five projects, including the Superhumans Centre in Lviv; over 14 ECAs have set over EUR 1 bn in coverage limits for Ukrainian investments; and the EBRD, supported by the European Commission, is crafting a war risk insurance mechanism for goods in transit and storage.

Statistics support the positive dynamics: net FDI inflows in 2023 are estimated at USD 4.2 bn (source: NBU Balance of payments, preliminary data).

While it is evident that peace and a stable, investor-friendly climate are indispensable for driving investment, this proactive approach in establishing a war risk insurance deserves commendation. This significant step bolsters investor confidence and demonstrates Ukraine's determination to foster economic resilience.

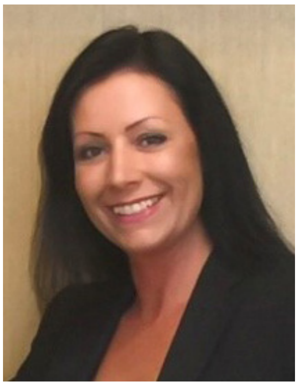
Bohdana Yefremova
Head of GPS Ukraine

Calling the back-office before the curtain

GPS Press paid a visit to the offices of Raiffeisen Service Center (RSC), where the mostly invisible part of the GPS business is taken care of. We met our colleagues at their large open plan office, which is flooded by sunlight and even offers a glimpse of the vineyards that surround Vienna.

Michaela Habersack, Head of Markets Operations Unit at RSC

Christian Kristaloczi, Head of Asset Services at RSC



Beate Besenhofer, Head of Custody Services at RSC

Michaela, you have taken the back-office of the GPS business line through a massive upgrade process. What is new?
The back-office function for GPS is carried out here at Raiffeisen Services Center. We are in charge of settlement of bonds, shares, and investment certificates, asset services with corporate events, dividend payments, reconciliation management, static data etc. In all these areas we strive to automize many of our processes.

Given the inherent nature of a back-office as a cost center, it remains under perpetual scrutiny. Clients, sales, and management have consistently emphasized the need for cost-cutting measures, prompting us to make adjustments wherever feasible. While this isn't a novel challenge, the noteworthy aspect of our current efforts lies in the scale of the change process underway. This involves a comprehensive approach encompassing process enhancements, automation, integration, and a series of efficiency-boosting measures.

How has the team been affected by this profound revamp?
We at RSC are already in the third year of our automatization journey. Clearly, our proactive promotion of standardized processes is positioning us ahead of the competition. This comes with new and appealing job descriptions. On the other hand, not all existing job profiles will be relevant in the medium term, so RSC has made the effort inviting some of our colleagues to transition to other roles within our organization where their skills are badly needed. With that being said, we could distinctly streamline our headcount without issuing any notices.

Christian, apart from reducing cost, which benefits do you expect from automatization?
Implementing automatization within our systems has proven to be a resource-friendly endeavor, requiring minimal changes to the settings such as adapted decision trees, routing paths, and automatic rejection of inexecutable orders. An illustrative example is our utilization of repair rules provided by SWIFT, contributing to the efficiency of this automation process.

But the main argument in favour of automatization in my view is risk mitigation for all parties involved. The less manual interference, e.g. correcting instructions that were incomplete or misleading, the safer the process. Many of our clients have fast accommodated our proposal to strictly standardizing their orders and sending them only via SWIFT or, alternatively, via our own GIG platform. They can see that they, too, benefit from faster, flawless trades. Ultimately, we want to further increase the STP rate.

You have mentioned GIG, the universal platform for GPS clients. To which extent are users benefiting from using it?
GIG has completely changed the game. It contains all the information regarding our markets we have available at RBI and RSC, which is highly appreciated by our users. Most of them use it, apart from giving their order instructions, as a valuable research tool. Although I dare say that many still have not explored all of the vast possibilities that GIG has on offer.

Given the continued prevalence of fax and email as communication tools in the global realm of securities services, how do you plan to persuade your clients to transition to standardized messaging entirely?

Apart from offering clients tailor-made trainings in improving the input quality, we are musing a tariff structure by degrees of involvement. Manual instructions will come with repair fees that reflect the additional effort we have to make.

We also plan to split our product according to the level of automatization, issuing invoices that deliver transparency regarding extra cost due to the additional client queries.

Beate, do you already use artificial intelligence for your back-office tasks?
We are certainly looking into the possibilities that AI offers. It will be most beneficial in cases where we deal with simple

processes or requests with low complexity. One example where AI might come in handy could be reading and internalizing large documents. In addition to that, we are testing ChatGPT as a tool to formulate responses to frequently asked questions.

In the context of our specific business case, AI has not yet yielded the desired results for the majority of our operations. This implies that, despite the increasing automation in our business, clients will continue to have the option of seeking personal assistance from us in the future.

Exception handling requires highly skilled personnel. Will you still have the capacity to deal with more complex issues?
We are proud of our team that consists of some 90 specialists with top qualifications. It is truly diverse, offering the opportunity to benefit from each other's background. We regard our age mix and the number of different nationalities as a valuable resource of innovation power. Where depth of knowledge meets fresh energy and experts from various countries can bring in their perspective, new paths open up.

Moreover, we are aware that our clients seek to communicate in their own languages, to which we respond with native language desks, particularly covering those markets where we offer direct access. We also make sure to have a competitive German speaking service. This may sound awkward for an Austrian-based financial institution, but in truth we are much more international than one might think.

Michaela, Raiffeisen, in a global comparison, is a relatively small player in the post-trade business. What is the advantage of a boutique in this context?
We differentiate ourselves by being highly flexible. We excel in adapting our processes to new requirements with relative ease. This unique combination of swift responsiveness, extensive automation, and a team of acknowledged market experts sets us apart in a distinctive way.

How has the GPS triangle approach supported the business development?
Guided by the need to manage our business from a solution-oriented perspective rather than a traditional and formal one, we have been acting as a well-wrought triangle for two years already. It makes perfect sense to have all three players, i.e. the GPS business, IT and the back-office, at one table. With the IT colleagues located in a building just across the street, and the GPS team based at the headquarters on Stadtpark only a few stops via underground line U4 away, it is quite easy to interact and meet on a regular base.

During meetings with clients, they can immediately experience this close collaboration during our conversations. Our interconnectivity is so profound that we can even serve as each other's backup when the need arises. While in the past clients only knew their relationship manager, they now get a bigger picture of the service and the people behind. This has led to a level of client-proximity that I have never experienced throughout my entire career in securities services.

About RSC

Raiffeisen Service Center (RSC), 50.1% held by Raiffeisen Bank International, is specialized in providing back-office services. Its core competencies include non-licenced banking services within the areas of payment transactions, securities, treasury, loan processing and customer services. RSC services over 100 clients from the Raiffeisen Banking Group, including banks, regional banks and other specialized companies.

Pioneering solutions to bolster digital investments

Raiffeisen Bank Romania will offer the full custody-to-brokerage value chain

Andrei Mezdrea, Head of Securities Services Romania, is convinced that the bank's clients will benefit from the refined business model:

"We are currently undertaking a profound improvement of our client proposition regarding investment solutions.

In addition to our traditional core functions of custody and depository services, we have assumed new responsibilities related to the distribution of investment products. While we remain in charge of coordination of the custody of financial instruments on clients' accounts as well as of the depositary of private pension and investment funds assets, we have taken over the business ownership for distribution of fund units, fixed income instruments, and structured products.

Our broad range of duties now includes product development, quality management, sales coordination, and customer relationship management. To fulfil the ambitious objectives of making Raiffeisen Bank the preferred partner for investing in financial instruments and to help our clients produce prosperity by facilitating easy investments in the full range of financial instruments through practical digital solutions, our roles have been adapted and a new management structure was put in place.

We are developing an infrastructure that allows our clients to invest and maintain investments in local as well as foreign financial instruments. This includes comprehensive digital solutions for investing in all financial instruments."

Andrei's view on the extended client offer

"So far, our intermediation services were restrained to the distribution of basic instruments – government securities and domestic investment funds. Since trading/order execution for the wider range of the investment universe was missing from our solutions, we could not provide our clients access to the full range of securities. This is now changing fast!

We already enriched our offer with the investment funds managed by Raiffeisen Capital Management and corporate bonds issued by RBI. But in the meantime, we have started building a brand-new full-fledged securities operational system at Raiffeisen Bank Romania, which will not only combine brokerage and custody operations but also concentrate the securities intermediation operations under a single roof/system. The new system is modern, will be easy to use and present a front-end with an attractive look and feel, thus benefiting of our existing clients. But I would like to stress that this novel "easy digital investments" application will address bank-neutral users as well.

In a nutshell, organizationally, we are creating a set-up that RBI has implemented in Vienna two years ago. However, for the Romanian market, it will represent a new kind of quality and a huge leap forward in the field of investment services."

Retail investors welcome!

"To share our market expertise with our clients, we aim at offering facile access to foreign funds, corporate bonds, and certificates, as well as to brokerage services on the main international and local trading venues, with the focus on granting our private individual customers a state-of-the-art investments tool.

Allowing our Romanian private clients to invest in financial instruments produced by RBI Group and, beyond that, to access the full range of international markets in which it acts as an intermediary is an attractive offer that brings us closer to our goal of becoming the best place to invest for our customers. The potential is huge, as we can predict from comparisons with other markets in the Raiffeisen universe. But the optimal user experience will be delivered through our systems – of that we are convinced."

A tool to support financial planning

"We are not just developing another trading app. Rather than looking to attract short-term traders, we have dedicated ourselves to offering a whole solution for those who want to follow a financial plan based on long-term strategies and thorough research.

It is our clear intention to foster product knowledge among our clients, which should be driven by the well-made information part of this system."

The benefits of operating in an international banking group

"When we started to plan our comprehensive Securities Services offer, we first looked at what our colleagues in other countries had already established. It was crucial to identify solutions that had already undergone testing and were well-established within our banking group, offering the best service features.

At the moment, we are in the middle of the analysis phase for introducing the new securities back-office system, whose first release is estimated to be up and running by the end of this year. Subsequently, we will integrate it with the front-end system, an RBI in-house development."

A growing, enthusiastic team

"The Securities Services team of currently 14 professionals is made of custody and depositary management including sales, relationship & product management, of the respective operational teams for custody, fund administration & distribution, and the newly added brokerage team.

The operational custody core team made of ever-willing-to-help Ana Trifan and Poli Bardas, the diligent depositary team coordinated by Florin Dumitru, and metronome-paced Raluca Marin, our product manager for custody and depository, was completed by Gabriel Necula in 2023. He is in charge of mastering the implementation of the new digital investments solution. Daniel Danulet, heading the brokerage operational team under the experienced supervision of Sorin Sabau, joined in early 2024. The team will be soon completed by product managers for our new tasks, i.e., brokerage, bond and fund distribution.

The team is of outmost importance for me. A manager cannot raise higher than the performance of the team he/she conducts; and in Securities Services Romania I am privileged to count on a supportive and enthusiastic team!"

Mihail Ion, Vice President Markets & Investment Banking & Personal Financial Planning Division, Raiffeisen Bank Romania, is confident that the project is in capable hands.

"Andrei is the perfect fit for our ambition to assist customers in maximizing their financial potential, leveraging a broader investment universe and ensuring seamless market access. We are lucky to always count on his deep financial market knowledge and expertise, well recognized in the local market, along with his entrepreneurial spirit, proactivity, and perseverance. Acting always as team player which continuously displays positive energy, Andrei inspires people around him towards excellent results and enjoyment in our journey.

To lay the grounds for further enhancing the investment universe offered to clients of Raiffeisen Bank Romania, the custody and depository bank businesses shall operate smoothly and deliver exquisite results. The last year's results prove us right: the value of assets for which Raiffeisen Bank performs custody and depositary services exceeded for the first time the amount of EUR 10 bn at the end of 2023, which is approximately 67% higher than one year earlier.

Andrei's agile team, which is already busy implementing the new investment platform, currently consists of experts from the business, operations, IT, compliance, and legal. In the future, 20 colleagues at Raiffeisen Bank Romania will jointly develop the new products and follow the Group's digitization plans."

Never tired of change

Klaus Rechberger, Expert Cash Markets & Derivatives Sales Trading at RBI in Vienna, provides an insight into his profession.

Where it all began
My interest in the capital market developed while I was still at school. That's why my professional journey began in the securities department of Sparkassen Versicherung. By moving to Erste Bank in 1997, I was able to build a profound knowledge in the swap back office. Following some insightful years in the post-trade sphere, I swapped desks to become an equity and derivatives trader. I was responsible for Erste Bank's nostro trading and for market making in various Austrian and German equities and derivatives.

In 2006 I accepted an offer to join Raiffeisen Zentralbank (now RBI) and work in client trading and sales for exchange-traded derivatives. My task was (and is until today) not only to execute our clients' futures and options orders on stock exchanges globally but also to serve as a contact for customers for questions related to exchange-traded derivatives. Executing client orders requires a mix of speed and accuracy, which poses a welcome challenge every day. I also enjoy the immediate client contact, which allows you to get to know interesting people.

It is highly intriguing to observe the developments in our business. I can still remember the times when most client orders were placed via telephone, while today they reach us via a wide range of electronic systems.

My RBI experience
I have been working at RZB/RBI for almost 20 years now. It is so fascinating to see how a company evolves and changes. This is especially true for our bank, which has evolved from an Austrian player into a leading financial services provider in the CEE region. For me, this development has opened the opportunity to exchange ideas and work together with many colleagues from different countries.

Challenges ahead I see for GPS
The new GPS structure allows us to collaborate and develop the business in a much more efficient way. In particular, the merger of the ETD team with the EST team brings together what should have belonged together for a long time already. Exploiting the similarity between the equity and the derivatives business will result in synergies on both the technical and customer sides.
On a personal note, I am pleased to be getting closer to the equity business, a realm where I initially embarked on my professional journey as a junior trader.

Balancing life and work
During my personal time, I prioritize spending quality moments with my family and friends. I find it relaxing to sit with a group of people talking and enjoying their time together.

Traveling with my family is another proven balance to my work life. I have been an enthusiastic scuba-diver for over 30

years and I am happy that my daughter has now discovered this occupation for herself, which has put joint diving on the itinerary of our trips. While at home, I use my spare time for biking and relishing the beauty of the Austrian landscape.

A glimpse of home
I was born and grew up in a small town in Lower Austria. After finishing my education, I moved to Vienna and enjoyed the advantages of a big city. Now we live in Lower Austria again, close to Vienna, where we can live a relaxed life in the countryside, only a short way from the city center.

How MiCA can ignite the development of blockchain offering beyond cryptocurrencies

In an article published in the Henry Stewart Publication Journal of Securities Operations & Custody, Radoslaw Ignatowicz, Product Owner Custody at Raiffeisen Bank International, together with Alfred Taudes, Professor at the University of Economics and Business, Vienna, delivered a fundamental overview of the status of digital assets and digital custody.

GPS Press has received the right to re-publish this insightful article and make it available to its readers. Taking into account that the blockchain-based business is fast evolving, we approached Radek for an update.

Clarity on the definition of digital assets

With the first part of the Markets in Crypto-Assets Regulation (MiCA) coming into force mid-2024 and the second part to follow half a year later, we will have rules on a European level for the first time. MiCA will provide the missing piece in terms of how crypto assets are defined and treated from a regulatory perspective. In the future, asset reference tokens (ART) and electronic money tokens (EMT) will be licenced and operated under MiCA, whereas most traditional asset classes will remain under the MiFID regime.

Based on this very much needed regulatory framework in Europe, I expect more and more usecases for DLT to emerge. They will either refer to tokenization of existing financial instruments or to creating of tokens in new asset classes.

Top-down approach

We are experiencing the development of a significant number of blockchains, offering different features. The choice of a blockchain for a particular project might be one of the main challenges for those who want to issue their crypto assets. It may happen that certain blockchains will specialize in hosting particular crypto asset classes. On the other hand, not to limit the potential audience, issuers may want to assure that their digital products be available on different blockchains. Due to the constantly expanding number

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Opportunities in digital assets and digital custody: Tracking the modernisation of standard custody offering

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***Radoslaw Ignatowicz** was born in Warsaw, Poland, graduated in finance and banking at the High School of Economics in Warsaw and the EMBA programme of the Warsaw Institute of Technology, London School of Economics, HEC and University of Bergen. Radoslaw (Radek) Ignatowicz is a senior director and product owner of Custody in Raiffeisen Bank International Global Investor Services Division in Vienna, where he looks after custody product development, participating in digital assets and digital custody strategy design. He has over 30 years of experience in the custody business. Starting his professional career in the securities services industry soon after the recreation of the Polish capital market in the 1990s, he became a head of custody for leading custody providers in Poland, such as Bank Pekao, Bank Austria, Unicredit, Deutsche Bank and Raiffeisen Bank International. He also worked as a board member of the Polish Central Depository for Securities (KDPW), where he represented the institution in EACH, CCP12 and ECSDA working groups. For eight years he led the Polish Custodian Bank Council, participating in shaping the framework of the Polish capital market. He is actively engaged in creating and implementing the direct access model of Raiffeisen Bank International AG in the Central and Eastern European markets.*

***Alfred Taudes** was born in Vienna, graduated in business administration and MIS at the Vienna University of Economics and Business Administration (WU) and Vienna University, a professor in Augsburg, Essen and Münster, and a visiting professor at the Universities of Tsukuba and Kobe, Japan. Since 1993 he has been Professor at the Vienna University of Economics and Business Administration (WU). He was the coordinator of the FWF Special Research Area 10 Adaptive Models in Economics and Management Science, Head of the WWT project Integrated Demand and Supply Chain Management, awarded the Science Prize of the City of Vienna and the Best Paper Award of the Association of University Teachers of Business Administration. From 2008 to 2015, he was Head of the Department of Information Systems and Operations Management, in 2018, he founded the WU Research Institute for Cryptoeconomics, and, in 2019, the Austrian Blockchain Centre. He has more than 100 publications in international journals such as Management Science, Marketing Science, Management Information Systems, etc to his credit. He is the organiser of the workshop series on cryptoeconomics, founder of the working paper series on cryptoeconomics and coordinator of teaching on cryptoeconomics at WU in the undergraduate, graduate and MBA programmes. He has overseen blockchain projects with the City of Vienna, the Austrian National Bank and Raiffeisen Bank International. He is a reviewer for Cryptoeconomic Systems, and is the organiser of the International*

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Please click to read the full article

of blockchains, interconnection between them means a lot of hassle. This reminds me of the times when mobile phones were invented, and you could hardly dial out of your own network.

As it would be hard to operate in such a fragmented environment, I see the need for a top-down approach to give the infrastructure its future shape. To achieve a final breakthrough, standardization will have to be instigated by institutions at a European level such as the ECB or by recognized financial market players such as ICSDs or banking alliances. Finally, the mammoths will decide on which blockchain technology will prevail. And just like with mobile telephony today, the users will comfortably surf across the networks without even noticing it.

The key factor

There are still some big question marks around DLT deployment. Risk is one of them. While a traditional custody environment deals with assets that are registered and can be backtracked, safekeeping of digital assets will show up as much more of a technological challenge. Not to speak of the risk of a client losing the key, which means being deprived of access to their assets for good. Prudent key management is the cornerstone of any digital custody offering, what also means that custody will become more technically driven service than it is now. Understanding and managing the risks associated with digital assets safekeeping and processing will be the most important challenge for the providers going forward.

Another issue still to be addressed for broader use of blockchain technology is the DLT cost structure and its predictability. The permissionless blockchains were designed to be self-sustained. The operations approval process in such blockchains is based on external factor such as energy or gas prices making it volatile and thus difficult to apply in practice. To become a serious alternative to traditional asset classes, this issue needs to be resolved, either through making such fees negligible or having a different, more predictable fee reference factor.

All these open questions are lively discussed in the market and will eventually be solved.

Accessibility as the main development driver

The most crucial factor for making DLT a viable business case for financial services providers is their ability to reshuffle accessibility to clients. In the traditional financial services industry, every bank is busy building its own ecosystem, offering specific products, building on-line applications to access them, trying to gather their clients under their wings and keep them there. The DLT technology may change this paradigm. In a permissionless blockchain environment banks do not own the infrastructure they use but rather just offer the access to it. On the flip side they may potentially reach an unlimited number of clients to their products.

We cannot foresee how the situation will evolve, but I do imagine that a client will have much more freedom to pick the best product of each provider without being forced to open accounts with all of them.

Radoslaw Ignatowicz
Product Owner Custody, RBI

Watch your refrigerator!

Everyone talks about ESG investing - but is there such thing as ESG settlement?

A grocery shopping spree with bags stuffed with organic vegetables, dairy products from a farm where the animals are seemingly still known by their name (or so they advertise) and only a modest amount of meat, can be just so satisfying. However, the question lingers: where will these delectable items reside until their exit scenario of gracing our plates? Do the refrigerator's power consumption and cooling agents align with the sustainability standards that the thoughtfully chosen produce embodies?

ESG-oriented capital market investors have long filled their portfolios with compliant equities, and the bonds they hold are green as French beans. Fortunately, the choice is expanding, and the respective information becomes more accessible. Prompted by the growing interest in the entire supply chain, which is also mirrored by the EU's extensively discussed CS3D, one might want to take a next step and examine other components of an investment.

Considering settlement and safekeeping as integral aspects of a trade, the provider has the capacity to augment any green finance product offer. While securities services may seem confined in action due to stringent regulations at first glance, personal engagement complementing the elaborate IT systems and high-performance machines makes proves to be a game-changer. And this is where the S (social) and the G (governance) aspects of the ESG framework come to the fore.

RBI takes pride in having embraced an ESG-compliant business model a few years ago already, which is evident in the product offer and financing restrictions, but also in a pursuit to promote female careers and diversity as a whole. The GPS departments across all RBI's network of banks exemplify this commitment.

Innovative approaches such as the GPS triangle not only foster transparency regarding business goals, they also support a culture that encourages team members to contribute their thoughts and ideas independently of their position in the hierarchy. Variety in personal and professional backgrounds among colleagues has never been as high as it is today and is regarded as a big asset when it comes to navigating complex environments.

In that sense, RBI's GPS offers a well-calibrated repository for those who want to uphold sustainability principles also in the aftermath of a trade.

Veronika Rief
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