

Switzerland's SIX: Strategising for the Next Five-Year Phase of its Asian Expansion

Switzerland's SIX is a leading financial services provider that operates the Swiss Stock Exchange, as well as the corresponding post trading business, the Swiss interbank clearing system and financial information business. SIX is also building an end-to-end platform for issuance, trading, settlement and custody of digital assets – the SIX Digital Exchange (SDX) – and is lead sponsor and operator of the F10 FinTech Incubator & Accelerator in Switzerland and Singapore. It is the innovation activities together with the financial information business, that SIX is aiming to fast-forward across Asia once the Coronavirus crisis abates. Hubbis spoke with Neil Thomas, the Singapore-based Head of Asia for SIX, and also Country Head for both Singapore and Japan. Just like his young family in Singapore, Thomas likes to be very active, and he will certainly need his full energies once more normalised business activities resume, as SIX sees great growth potential ahead for the region. And for the moment, he is enjoying the fact that he and the other business leaders at SIX are taking advantage of this unexpected hiatus to forge a five-year plan for expansion across Asia.

Thomas is now a near 12-year veteran of SIX, having worked with the company in London and Edinburgh before starting his current role in Singapore two years ago. Equipped with this experience, he begins the discussion by commenting that SIX “has an incredible set of over 120 shareholders representing many leading major European and Swiss banks - UBS, Credit Suisse, SocGen, BNP, to name but a few - and therefore we enjoy long-established, deep and mutually beneficial relationships,” he reports.

“Here in Asia,” he continues, “we look after their Asia-wide requirements, providing the core platform for our activities. SIX has actually been remarkably busy in Asia across several of its business streams, especially the financial information delivery, as well as FinTech innovation and incubation which it wants to gain more traction across Asia, where openness to technology is especially robust.

TAKING THE WIDE-ANGLE PERSPECTIVE

First addressing the financial information segment, Thomas reports that during the roughly two years he has been with SIX in Singapore, the firm has been rapidly expanding its data operations in Asia, not only pushing out more solutions but also making a broader footprint, with more salespeople, and more support staff to drive this business. “We plan to grow robustly alongside the market and with our existing and new clients in the region.”

INFORMATION – ADVANTAGE

He explains that this has involved building much closer and more

effective relationships with the Swiss and other international banks and financial services entities in the region. “And we now plan to expand our remit to more regional banks and financial institutions,” he reports, “and this will include not only banks, but also asset managers, brokers and others, for example in Australia the superannuation distributors, and the Chinese banks in Hong Kong as well.”

To help drive growth further, SIX hired Marion Leslie as the new Head of the Financial Information Business Unit, coming in from a key

Neil Thomas Talks Key Priorities

The first of Thomas’ three key priorities focuses on greater penetration of the financial data business for regional banks and other institutions, as well as the delivery of more and even better data. “We want to enter new markets, re-enter existing markets and have more footfall across the region,” he reports.

The second priority relates to the digital exchange and building additional leverage in the relationships with banks.

“We want to explore avenues for a new digital asset market in the region,” he says. “Our goal is to provide an end-to-end offering in a regulated environment. Together with the Swiss National Bank we are also exploring the potential and technological approaches for the use of digital central bank money in the settlement of tokenised assets, together with the Bank for International Settlements (BIS).

He expands on this concept, remarking that this is not a near-term game, it is what he terms an ‘ultra-marathon’. “This will play out over the next 10 to 15 years,” he comments, “and most certainly not overnight.”

The third priority centres on the expansion of both the scope and innovation of SIX. “Asia is an ideal location for this, as there is great receptivity to innovation and a lot of activity in the FinTech space, so we want to leverage F10, including building innovation labs and creating financial sector products and solutions out here just to specifically serve our customers, locally and globally.

position at Refinitiv. Leslie has many years of experience and a proven track record in the international financial information business, and has replaced Robert Jeanbart, Business Unit Head, Financial Information, who retired at the end of 2019.

FOUR KEY MARKETS FIRST

“We are looking first at four major markets, Singapore and Japan, where we already have offices, and then also Hong Kong and Australia as our other two key markets, and of course how we can drive closer relationships with our customers in those markets,” Thomas explains.



NEIL THOMAS
SIX

He adds that the firm has established an important relationship with the Nomura Research Institute in Japan, and is planning to expand that further, working more closely in the asset management space. “We have had a lot of success in Japan over the last year pushing into the regulatory space as well,” he reports, “particularly around FATF regulations, as well as setting up sanctions information services for the major asset managers.”

THE WM SPACE BECKONS

He turns his focus specifically to data and the wealth management space, noting that SIX already delivers data services into the core banking platforms of 18 of the world’s 20 leading private banks. The data covers several areas, he explains, such as for corporate actions and reference data, regulatory assessment and monitoring, the pricing of securities, information on different global asset classes so those are available to their clients, and so forth. “We do this for the global banks, and for the banks in this region as well, and we are of course expanding this and can accelerate this now with Marion Leslie working at full speed,” he reports.

His final word on the Financial Information segment is that the understanding of the need for, and uses deriving from optimised data are both expanding apace in Asia. “Whether this relates ultimately to models, or planning, or asset allocation, or delivery by RMs or robo-advisors the need for data will only increase, especially as everything moves into the cloud and people expect instant delivery, instant decisions. As costs rise, delivery through RMs is ever more central to the proposition, especially for the rapidly-growing mass affluent market.”

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THE INNOVATION HIGHWAY

Away from the Financial Information business, Thomas reports that SIX is exploring how the firm can work innovatively and creatively with other companies and governing bodies within Singapore, which serves as the regional hub for SIX. “We earlier this year opened up the F10 incubator in Singapore, leveraging the successful Zurich model that we began four years ago,” he reports.

According to the SIX website, the F10 programme has been designed for financial firms that want to reach the next level of innovation. The accelerator programme provides access to the most promising international

FinTech start-ups, offering radically new technologies, and new era business models. At the same time, it provides these FinTech start-ups with access to the banks – the owners of SIX. The company believes the programme helps to solve cultural constraints by accessing an extremely entrepreneurial environment, which is especially alive and well in Asia.

“The F10 programme thus ultimately brings together disruptive new market players with established financial players, and

thus helps foster collaboration which ultimately the company and its customers will benefit from in order to stay ahead of the fast-paced changes in the financial industry,” Thomas elucidates. “We have fairly recently hired three people for this business here in Asia, and the F10 had already taken on 10 companies mainly based out of Singapore, but also in wider Asia. These start-ups will go through the F10 programme out here; in normal practice, developed since F10 began in Switzerland nearly five years ago, the F10 invests a modest amount of money into them, and together with the whole F10 team we then help them develop their business models and technologies over what is usually a six-month process.”

THE F10 FINTECH FILTER

The companies thus far are broadly in the discretionary portfolio management (DPM) space and include new providers such as Fencore, HedgeSPA, and individuals such as Bernard Lee who used to run a large part of BlackRock Aladdin, as well as other innovative players in the broader world of FinTech, working in areas such as payments, tokenisation of assets, digital assets, and blockchain, amongst others.

“Together with the F10 team we also work in the space that bridge the gaps between the banks and technology providers,” Thomas explains, “so we are focusing on making the relationship easier between the customers and the banks. Bank Julius Baer is also a partner of the F10 programme, alongside blockchain technology provider R3, so we will forge ahead over six months with these operators, including helping them focus and develop expertise, and to bring in new funding rounds of VC money or private equity, in short, to help propel them to the next stages of their development.”

THE DIGITAL ASSETS EVOLUTION

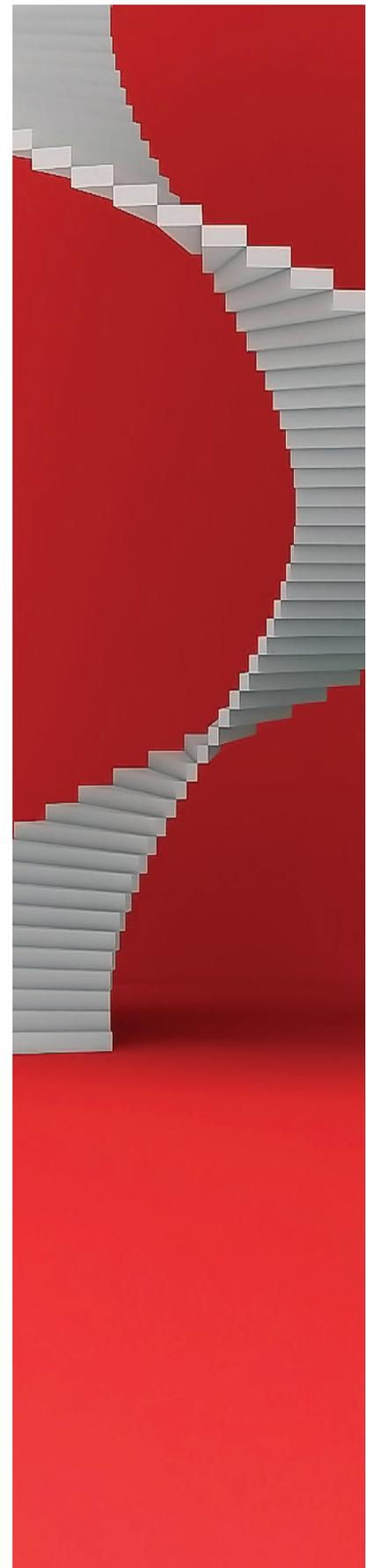
The other area that SIX is now working on is SDX – the SIX Digital Exchange. “This is a new area of activity,” he comments, “and if approached correctly can become part of the global financial and transactional infrastructure. SDX which will go live towards the end of this year out of Zurich, all going well, with the goal to offer a full end-to-end digital exchange offering trading, clearing, settlement and custody services for digital assets by next year.”

SIX is working with some of the major global banks on the initial and planned asset classes underlying the digital assets. It will offer more traditional assets but also non-tradable assets such as the real estate market, oil and gas assets, fine art, wine collections, and so forth. “It is all about how you can create a digital asset from any of these types of assets,” he reports. “Those underlying assets can be divided, securitised and then delivered to investors securely in digital asset form and the transactions confirmed, or custodised, via blockchain, in partnership with R3.”

SIX is open to having a minority stake in SDX made available to strategic investors. SIX is currently in discussions with a number of firms – such as large banks and broker-dealers – who are extremely interested in taking a stake in SDX because it gives them skin in the game in driving the ecosystem forward. After all, SIX is not just creating a new exchange, it is creating a new market environment. To create that environment, it is important to have the flexibility of allowing partners with the same vision to accompany SIX on that journey.

THE USP OF SIX

He also endeavours to capture and relay what he sees as the unique qualities of SIX: “We offer a fundamental financial infrastructure, delivering into the core value chain of the banks, delivering to the data needs of the private banks and beyond that into the lifecycle journey of the assets and how we can manage that for these banks. We ensure the data proposition lines up clearly with our asset servicing proposition as well.”



“And beyond that,” he adds, “we are really at the cutting edge of innovation, supporting our customers as they look to new technology-enabled solutions, and working on new areas such as digital assets, which will play a major role across the globe in the next decade and beyond.”

He also notes that the company's core customers are also the core 122 SIX shareholders. “This means,” he says, “that SIX is very close to them and can develop based accurately on what those customers really want.”

For a major Swiss global bank it might, for example, be the EU's Securities Financing Transaction

Regulation (SFTR), which is intended to enhance the transparency of the securities financing markets by requiring those who enter into securities financing transactions (SFTs) to report the SFT to a trade repository.

“One large Swiss bank, for example,” Thomas reports, “wants us to look at our user groups and build a SFTR offering designed around the EU requirements. Clearly having that very close relationship where some of your major customers also sit on your board of directors, it really allows you to get an understanding of what the banks need and helps us fast-track the development of products and solutions.”

ASIA – A WORLD OF OPPORTUNITY

As to Asia, Thomas notes that the region offers immense opportunities ahead. “Asia's wealth management markets have been growing apace, setting the pace for the rest of the world, and beyond that Asia has embraced technology whole-heartedly,” he says on closing the main discussion. “So it is an unexpected and valuable opportunity to see how we can work more innovatively and comprehensively in this region to enhance the relationships we have and that we aspire to, and to build out the platform of products and services. We are ready and waiting.” ■



Switzerland's SIX – History, Quality, Dedication & Innovation Aligned

SIX is emblematic of some of Switzerland's key characteristics, combining a long history, deep expertise in financial markets infrastructure and a powerful thrust towards both quality and innovation. The core businesses of SIX are the development and maintenance of the Swiss Stock Exchange including post trading business, the provision of sophisticated financial data, payment systems and raising innovative capacity across the entire value chain. The rich traditions of SIX centre in Switzerland, but from its headquarters in Zurich, the firm now operates in 20 countries worldwide.

As the operator of the Swiss Stock Exchange, SIX has a leading role in making Switzerland one of the leading capital markets in Europe, boasting leading listed stocks such as Nestle, Novartis and Roche, ranking in the top 10 in Europe by valuations, as well as household names such as UBS, Credit Suisse and others that place the country's roughly 260 listed stocks far ahead in prominence globally than it reasonably should be for a country of only about 10 million people.

SIX is also what the firm describes as a 'competence centre' for Swiss payment transactions, supporting banks with innovative services in an increasingly digitalised world.

And the company is also a global provider of financial information, offering high-quality reference, pricing, and corporate action data, regulatory services, and indices. In this, the financial information business, SIX has for many decades been providing verified, structured, interlinked, and enriched data for clients in Switzerland and for many years around the globe.

According to the firm's website, financial data links together the global financial value chain, underpinning all processes, front-to-back office systems and workflows, with the high-quality financial information offering a significant competitive advantage that can elevate and propel businesses.

The firm provides core reference data on securities, prices, corporate events, tax and regulatory data, flagship indices and bespoke benchmarks. Aggregated directly and in real-time from over 1,800 sources worldwide, SIX provides verified, structured, interlinked and enriched data for almost 30 million financial instruments covering a wide range of asset classes and legal entities.

SIX also states that innovation is central to its DNA. Indeed, a fascinating growth area for SIX is the SIX Digital Exchange (SDX), a fully integrated issuance, trading, settlement, and custody infrastructure for digital assets, which SIX is building. The concept is for SDX to operate under the same standard of oversight and regulation as SIX itself and its other businesses, and thereby bring security and reliability to the digitised financial ecosystem of tomorrow.

Innovation also manifests itself through a nearly five-year-old operation at SIX incubating and nurturing FinTech start-ups. In 2015, SIX founded the F10 FinTech Incubator & Accelerator, aimed initially at nurturing start-ups that could open up new perspectives for the entire Swiss financial centre, and now, with further sponsors, looking more broadly across the globe, with plans in hand to significantly boost this area in Asia, through the main Singapore hub for the region.

The Corporate Venture Capital Fund at SIX supports national and international start-ups that have ideas and solutions related to new financial services, focusing on start-ups making processes more efficient or capturing new customer groups. The company has been focusing on enhancing services and platforms, standardising, enhancing and digitising processes for regulation and compliance, security and privacy, investment & asset services, as well as data & analytics.

SIX is somewhat unique in that it has a captive customer base amongst the 122 financial services shareholders that represent the leading Swiss and global financial and other institutions. The firm describes itself as dedicated to quality and innovation, deeply embedded at the heart of one of the world's preeminent capital markets, and proudly customer-owned and governed.

With a workforce of some 2,600 employees and a presence in 20 countries, it generated operating income of CHF1.13 billion and group net profit of CHF120.5 million in 2019. SIX is owned by 122 banks that are active in the Swiss financial centre. They are the main users of the infrastructure of SIX and the firm's most important clients.

Getting Personal with Neil Thomas

Thomas hails from north London, and was educated first at a private school in Harrow, and then at the Royal Hospital School in Suffolk, set on the Stour estuary in Ipswich, Suffolk and which boasts a proud naval heritage dating back to 1712, as well as some rather impressive historical buildings. University was split between Staffordshire studying economics, and completion of that degree at the Grand Canyon University in the United States.

After graduating he joined Thomson Financial and stayed there for nine years, before joining SIX in Edinburgh in 2008. "I have really enjoyed both Thomson and SIX," he reports, "working locally and globally, focussing on the delivery of lots of new products and services across Hong Kong branches, London, Edinburgh, as well as the rollout to Singapore, parts of the US and Switzerland as well."

He has a particularly fond recollection of his time in Scotland. "It is a great community up there," he reports. "I was closely involved in the asset management industry there and I often joke that the Scottish are the forefront of managing other people's money because of their reputation for not wanting to spend money. But joking aside, it is quite remarkable how well the asset management business has done there. Edinburgh is certainly a great place to spend time and I was also lucky enough to also have a nice apartment on Queen Street. Great memories."

Thomas is married, with three children all currently being educated in Singapore. The family includes two keen rugby-playing sons aged 13 and 12, and a ballet dancing daughter aged 8. Himself also a fan of rugby, Thomas still plays social rugby in Singapore and coaches locally in his spare time.

In more normalised times, the family has enjoyed some great trips in the region, to Boracay in the Philippines, to Indonesia, Malaysia and Japan, which is also a work responsibility for him. "I really enjoy working in and visiting Japan; it has been fascinating traveling and working up there."

Thomas and family are all very active and enjoy cycling around the trails of Bukit Timah in Singapore, and then out on the road sometimes.

"My wife is also quite keen on the ballet," he reports, "so we support the Singapore Dance Festival and similar events. We also visit the UK, where we have a home, and Northern Ireland where my wife is from and where we have a holiday place. It is wonderful in the summer months, if the weather is good, and offers a great change from the heat and humidity of Singapore. Of course, one can be fairly sure that it will never get particularly hot there.

He closes with a quip that given the family's love of rugby, there is one key rugby game each year, namely when the England team, which Thomas supports, plays Ireland, which the rest of the family support. "This year," he comments, "we were all losers, as the virus put paid to the game, which was cancelled as it was due a few days after the lockdown began. We can only hope things get back to normal by next year's game, when the family rivalry can recommence."

SIX on the Perils of Ignoring Data Transformation & Sanctions Monitoring

In 2020, SIX published a White Paper titled 'Data Transformation - Leveraging data quality, traceability and new technology to enable digital transformation.' The objective was to highlight how new data types and technologies are presenting both challenges and new opportunities for data managers as they strive to deliver on the promise of the 'data-driven' financial services enterprise.

"As a consequence," the author wrote, "financial service firms have never been more at risk of trading on outdated information. If you get 'data quality' right, your firm can enjoy the benefits of digital transformation; if you fail, it most certainly won't."

The report highlighted how data quality and governance must both underpin digital transformation. "Ensuring the purity, provenance and traceability of your data is thus an essential precursor to digital transformation," the Paper stated, adding that "only by delivering quality data through best data management practice, implementing robust data governance and leveraging emerging technologies can financial institutions streamline operational processes, discover new business insights, and improve customer experience, ultimately achieving better financial performance."

The authors comment that in order to support successful digital transformation, data governance programmes therefore need to drive business value through good data governance, they must assemble data of high quality and integrity, they must deliver with trust, gain control over insights into how data is used, digitise undigitised and unstructured data, and strive for operational resilience around data, essentially data privacy and security.

The report warned that poor data provenance and questionable data purity will impact the security of the decisions and reporting based on that data, leading to reputational risk and potential fines, as the regulators pay ever more attention to this field of activity.

One such area that is increasingly important to financial institutions is the monitoring of sanctions and the impact on securities that might be caught up in any sanctions around the globe, thereby helping institutions to manage risk on behalf of clients more critically. For example, Interactive Brokers quite recently, in mid-2019, became one of the first brokerage companies to commit to in-depth monitoring of securities globally, following its deployment of the SIX Sanctioned Securities Monitoring Service (SSMS).

The service provides one of the most comprehensive coverage checks worldwide across major economies and jurisdictions. It monitors more than 1.8 million shareholder relations across more than 220 million private companies worldwide and more than 65,000 public companies, with the net including 2,887 sanctioned securities out of 25,176 securities on the watch list.

With the current state of global and sectorial sanctions, staying clear of sanctioned securities has become more difficult than ever. Effective sanctions compliance depends entirely on accurate identification of in-scope entities and their issued securities. SIX aims to meet this business challenge in that it combines its wealth of securities information with company beneficial ownership to deliver to the essential information needed by investors and managers to have the confidence to transact.

SIX explains in its literature that Interactive Brokers' clients can invest in confidence via the platform. Yochai Korn, Global Head of Market Data and Research at Interactive Brokers, has stated: "As an internationally known and relied-upon brokerage firm, having the right data is vital to mitigate any level of risk or ambiguity for our clients. At the same time, we don't want to be over-cautious and banish stocks for no reason... We look forward to continuing this partnership into 2020 and beyond as SIX continues to adapt to the changing landscape and bring on new services."

Oliver Bodmer, Senior Product Manager, Financial Information, SIX, said: "Globalisation has seen the entire [financial] industry become more interconnected than ever before. This, coupled with rising geopolitical tensions, means traders face one of the most complex sanctions environments in history. Financial institutions need to ensure they aren't getting tangled up with associated entities and financial instruments."