



Securities Position Management Across Multiple Custodians

Challenges, Solutions, and Future Outlook

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Agenda



Introduction: Why is this a complex problem? What are the key pain points?



Intesa Sanpaolo Experience: How ISP manages its portfolio?



Feasible Solutions: How can we address them?



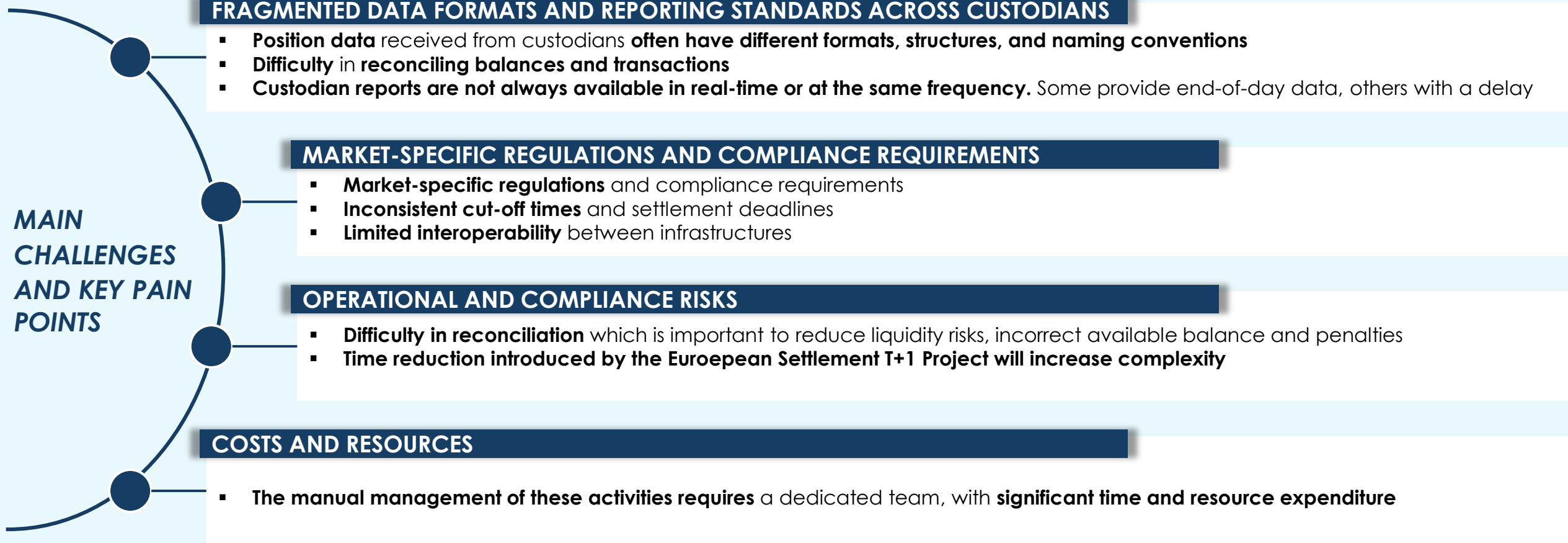
Required Improvements: What is needed for a more efficient future?



Conclusion and outlook

Introduction: Why Position Management is a complex problem?

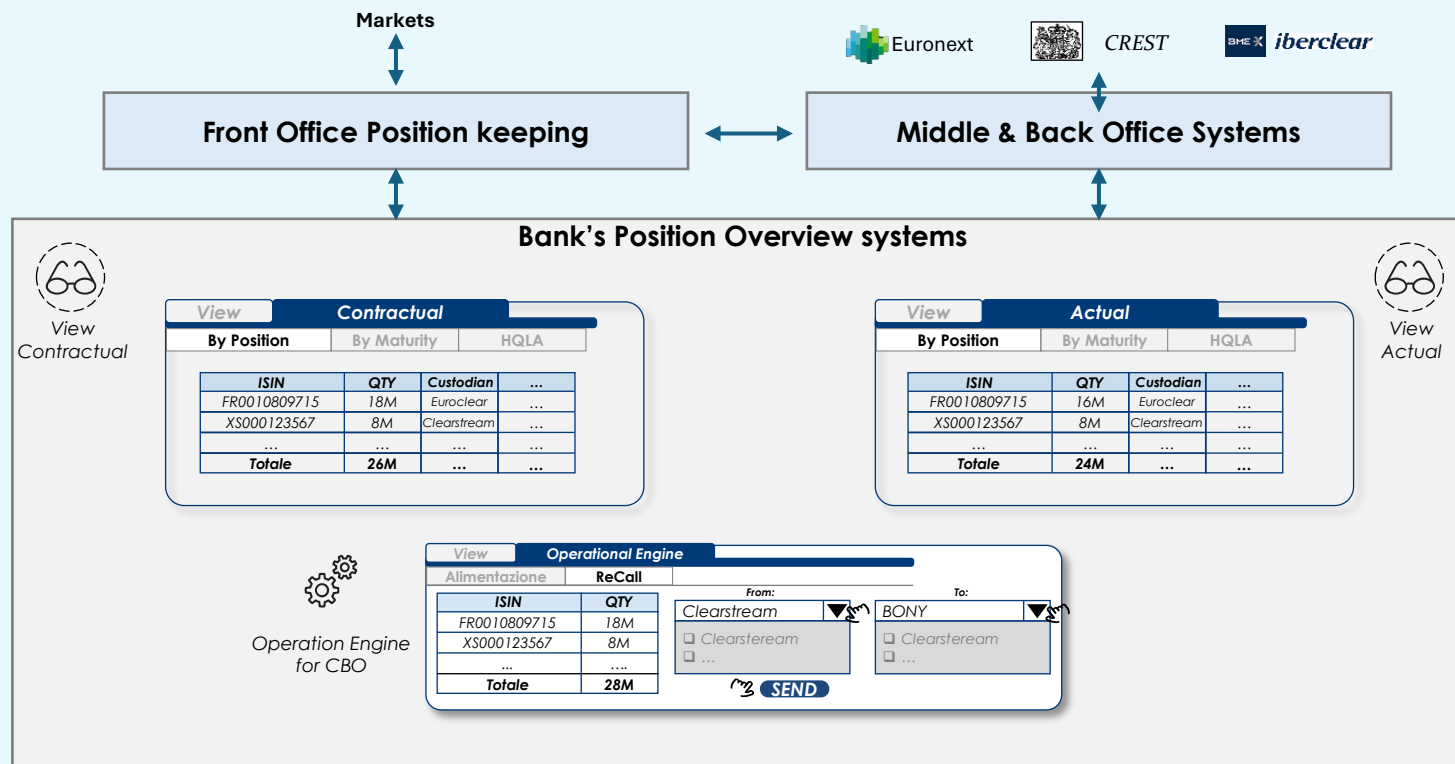
Institutional investors, Banks and large fund managers often hold assets with multiple depository banks (custodians) for different reasons such as **access to specific markets or specialized services**, regulatory or **liquidity requirements** or **Fiscal Aspects** and services offered by each Custodian or CSD. **This fragmentation creates complexity in gaining a consolidated view of the portfolio**



Intesa Sanpaolo Experience: How ISP manages its portfolio?

Over the past few years, **Intesa Sanpaolo** has faced the **significant challenge** in terms of **collateral management**, as this dimension - its measurement and rapid mobilization - **is taking on an increasingly central role**. To achieve this, **the group has adopted a hybrid solution** that involves the **use of a highly customized third-party software** alongside the **development of some applications entirely in-house**

ISP COLLATERAL MANAGEMENT SUITE



- ❑ The **solution enables real time or near real time monitoring on securities position** of the entire bank providing **visibility into both encumbered and unencumbered collateral** across the bank, **including foreign branches and C&IB**
- ❑ The system **receives real time position** from **position keepings** and receives both **real time and end of day data of securities availability at custodian agent**, displayed through exposure ladder
- ❑ **In addition, In house application allow collateral managers to mobilize and de-mobilize directly to Triparty Agents source accounts** without requiring back-office manual intervention

Feasible Solutions: How can we address them?

DATA AGGREGATION SYSTEMS



- **Portfolio Management Systems (PMS):** Use specialized software that connects to various custodians via APIs or standardized data feeds (e.g., SWIFT)
- **Centralized Data Warehouse:** Create an internal database to standardize, cleanse, and consolidate data before use

AUTOMATION AND RECONCILIATION



- **Automated Reconciliation Software:** Use algorithms that compare internal data with custodian data, automatically flagging discrepancies
- **Use of Machine Learning Algorithms:** To identify error patterns or anticipate reconciliation problems

SWIFT and API Integration:



- **SWIFT :** Use standardized SWIFT messages for the exchange of position and transaction information
- **APIs (Application Programming Interfaces):** Request that custodians provide robust APIs for near real-time data access

INTERNAL STANDARDIZATION:



- **Define and implement internal protocols for data mapping** and corporate actions management
- Create a **cross-functional team of experts for data and reconciliation management**

Required Improvements: What is needed for a more efficient future?

For effective management of collateral and positions across different custodians, **efforts by financial institutions alone are not sufficient**; a **holistic approach is needed**, involving systemic changes **from all stakeholders**, including custodians themselves, CSDs, CCPs, and regulators

INSTITUTIONS

CUSTODIANS



- **Greater Standardization:** Unify report formats and securities naming conventions
- **Open and Robust APIs:** Provide API access for position data, transactions, and corporate actions in near real-time
- **Value-Added Services:** Offer pre-built reconciliation platforms for clients

CLEARING HOUSES AND CENTRAL SECURITIES DEPOSITORIES

- **Harmonization of Corporate Actions:** Synchronize the processing of corporate events across various markets
- **Data Integration:** Facilitate access to standardized data on a global scale



REGULATORS

Promote Uniform Standards



- Regulators (e.g., ESMA in Europe, SEC in the USA) should encourage or mandate the adoption of standard reporting and messaging formats
- E.g., the adoption of ISO 20022 for financial communications

Transparency Requirements

- Require custodians to provide more frequent and transparent data on held positions
- Ensure that data regulations (e.g., GDPR) do not hinder efficient portfolio management

Support Digitalization

- **Incentivize the use of innovative technologies** (e.g., DLT/Blockchain) that **could solve reconciliation issues** at the root by **creating a shared and immutable ledger of positions**

Conclusion and outlook

- ✓ *The problem of multi-custodian position management is real and complex*
- ✓ *Technological solutions exist but require investment and integration*
- ✓ *Collaboration among all stakeholders (investors, custodians, regulators) is fundamental*

The future points towards greater standardization, automation, and potentially the adoption of a Distributed Ledger Technology (DLT) infrastructure for a unified real-time view of positions