



Nick's Corner



FinSwitch Blockchain Announcement

This serves to advise you that on 4th March the FinSwitch Board took a decision to implement a blockchain to service participants in the domestic CIS market and is pleased to announce that FinSwitch has entered into a services agreement with FNZ, who will develop and implement a South African instance of FNZ Network and the FNZ Chain application. The objective of this strategy is to bring further efficiency to the market and enable a significant reduction in operational costs and risks for all market participants and over time reduce the cost of investment to the public.

What is the motivation for this change?

The current market architecture is highly complex in that it requires the providers of CIS funds and related investment products, service providers, regulators, trustees and intermediaries to retain ledgers with subsets of the same data. This implies layers of processing costs, reconciliation effort and systems maintenance overhead which is increasingly difficult to justify in the light of the technologies now available. The ultimate objective of the FinSwitch blockchain strategy is to replace these multiple ledgers with a single distributed ledger for the entire market using blockchain technology.

How will market participants be affected

The new blockchain application will be implemented behind the existing FinSwitch user interfaces so no change is required of users to sustain existing services. Users who wish to keep their existing operational model and architecture will be free to do so without the need to make any changes. The new platform will however enable users and or their designated service providers, to dispense with all transaction processing, investor position-keeping and related reconciliations should they wish to do in a time frame of their choosing. FinSwitch intends to offer settlement services via the same platform in due course and the possibility of integrating KYC services is being investigated. Implementation of the blockchain will allow market participants to radically re-architect and de-laminate their operational infrastructure and in so doing achieve substantial reductions in cost, complexity and risk.

How will the new platform be implemented?

FinSwitch has entered into a services agreement with FNZ who will develop and implement a South African instance of FNZ Network and the FNZ Chainclear application. FNZ is a global platform-as-a-service provider, transforming the way financial institutions serve their wealth management customers. They partner with banks, insurers and asset managers to help consumers better achieve their financial goals. They are currently responsible for over £400 billion in assets under administration (AuA) held by around 8 million end customers of some of the world's largest financial institutions and are now building their footprint in South Africa.

Further details regarding the timing of services through the new platform will be announced in due course. A parallel running to the current and new systems is planned and users existing operations will not be affected by the change until such time as they elect to use the additional functionality offered by the new platform. This parallel process will provide FinSwitch users and their service providers the

opportunity to access the blockchain and build confidence and understanding of the opportunities it presents without any impact to their existing day to day operations.

In conclusion

The FinSwitch Blockchain powered by FNZ, presents an opportunity to fundamentally re-architect the existing operational topology of the CIS industry in a way that brings about dramatic improvements in efficiency and cost reduction for all stakeholders.

The project and technology risks inherent the implementation of the new systems will be mitigated by the choice of a strong and committed technology partner and the retention of existing interfaces and systems until the new systems have been extensively tested.

Client Services

As you are all aware, the date for the mandatory holding balances functionality has been moved to **Monday, 11th May 2020**.

The stats as at 21st April 2020 for the 63 ManCo's:

- 22 ManCo's have tested since the release (24 March 2020)
- Of the above 22, 17 are compliant!
- 32 ManCo's have not tested since the release

At this point all ManCo's should be in a position to go Live with compliant confirms files! However, 50% of ManCo's have still not tested. There are **less than two weeks left** to test! We urge clients to use this time to get their confirmation files up to speed as there will be **no further extension!**

Best Wishes

Tasneem Gydien

Manager: Client Relations

Application Desk

Release 1 2020 went live on the 23rd of March together with the account data clean-up. UAT was updated with the same data as PROD and clients are able to test their confirmation files to validate that the files have all the required holding balances.

Release 2 for 2020 is currently in development and is scheduled to go into production early June. Highlights included in this release:

- Later cut-off times for select fund types for example; Life funds
- Enhanced webservice functionality with the ability for multiple transaction and price file downloads a day, including an option of excluding records already downloaded for the same cycle date and user.

Best Wishes

Dawn Cooper

Manager: Application & Development

B-BBEE Certificate

You can download our certificate by clicking [here](#).