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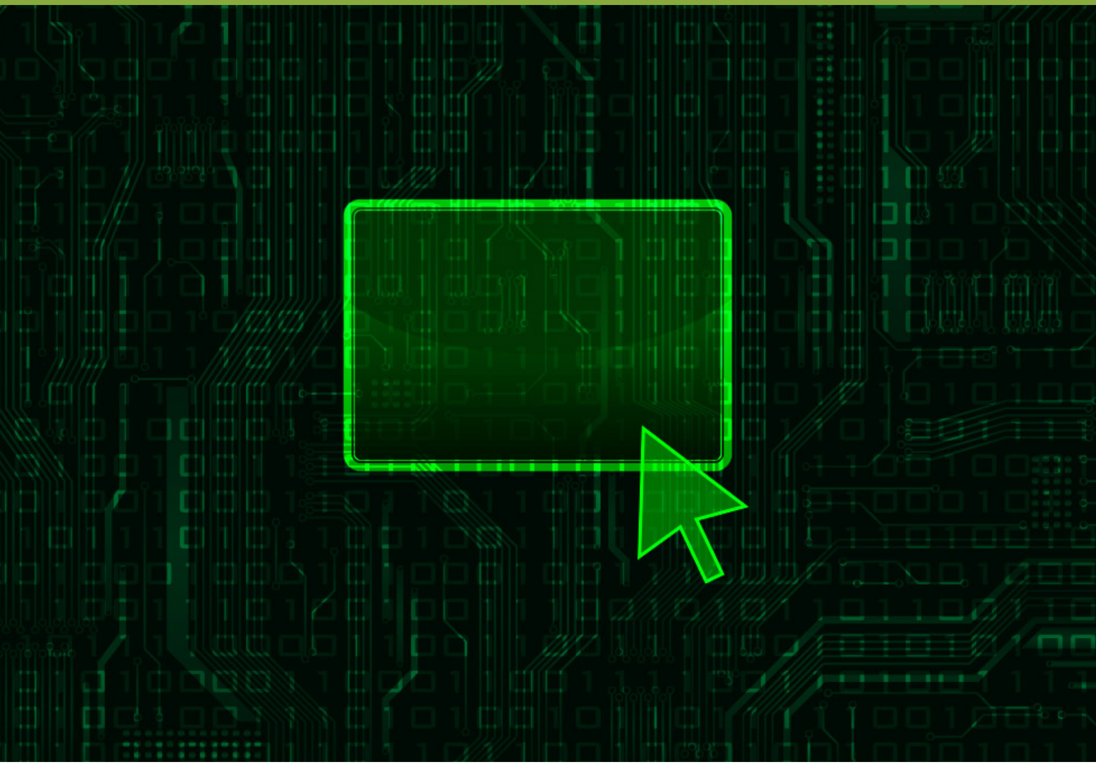

SS&C Technologies shells out $95 million to buy DST Global Solutions

SS&C Technologies has acquired DST Global Solutions, a subsidiary of DST Systems, for $95 million in cash.

DST Global's products, now owned by SS&C, include investment and fund accounting platform HiPortfolio, and investment data management and analytics platform Anova.

SS&C financed a $75 million portion of the purchase price by drawing down on its line of credit.

"We view Europe, the Middle East and Africa (EMEA) and Asia Pacific as strategic geographies and this acquisition provides the talent, technology and client base to accelerate growth," said Bill Stone, chairman and CEO of SS&C.

"DST Global is a 390-person business with $60 to $65 million in annual revenues, 90 percent of which comes from EMEA and Asia Pacific. This $95 million investment will take integration and development but we are excited about the opportunity."

DST Global also has 12 offices in locations around the world, including London, Melbourne, Bangkok, Hong Kong, Shanghai and Boston.

Stephen Hooley, chairman and CEO of DST Systems, added: "DST Global Solutions is a great business with a strong management team and we believe by combining products and services, SS&C will create a powerful differentiator in the marketplace."

Geoff Harries has become global head of asset servicing SS&C following the acquisition of DST Global.

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Futures are the future, says LCH.Clearnet

LCH.Clearnet has reclassified its over-the-counter commodities derivatives contracts as block futures trades, in response to demands from market and clearing members.

The clearinghouse will work with multiple exchanges in order to provide additional choice to its members, and it is hoped that clients will benefit from increased efficiency, greater transparency, reduced collateral and mitigated risks.

Two regulated trading venues, Baltex and Cleartrade Exchange (CLTX), will be the first platforms to register dry bulk forward freight agreement (FFA) trades.

readmore p2

Confluence adds Orfival to analytics family

Confluence has acquired specialist fund analytics company Orfival, with the aim of adding new capabilities in performance risk analytics and attribution to its services.

Confluence will also augment its data-drive performance and regulatory reporting solutions with risk metrics, composites and analytics.

Mark Evans, CEO of Confluence, said: "When looking to grow Confluence we aimed to find businesses which have products or services that complement our existing offerings to add greater value to the global asset management industry."

"Orfival is just that, as it brings extraordinary subject matter expertise and research capabilities as well as a deep understanding of the European market."

"The region is one which we have strategically targeted for business growth and this acquisition makes our European networks stronger while allowing us to market Orfival products to our existing North American network."

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SS&C shells out $95 million to buy DST Global

Continued from page 1

Harries was global head of asset servicing at DST Global. He managed profit and loss for the company's flagship product HiPortfolio.

He also supported the firm's diverse investment strategies and service innovation.

Futures are the future, says LCH.Clearnet

Continued from page 1

Isabella Kurek-Smith, director and head of freight and commodity markets at LCH.Clearnet Group, said: "Improving efficiency is frequently at the heart of regulatory change."

"Teaming up with Baltex and CLTX means that our members and customers benefit from the efficiencies associated with using regulated trading venues. This is a further example of our commitment to provide an open and horizontal clearing model to our members."

Confluence adds Orfival to analytics family

Continued from page 1

The region is one which we have strategically targeted for business growth and this acquisition makes our European networks stronger while allowing us to market Orfival products to our existing North American network."

Philippe Grégoire, managing director of Orfival, said: "We are delighted to now be an integral part of the Confluence business success story. As a global and recognised name in our area of expertise, the Confluence brand is the ideal channel for Orfival to make the quality and efficiency of its products known internationally."

Scottish Investment mandates Northern Trust

The Scottish Investment Trust PLC has mandated Northern Trust to provide global custody and depository services for its assets, valued at $1.4 billion.

Based in Edinburgh, The Scottish Investment Trust PLC is one the UK's oldest institutions of its type.

It provides long-term investors with above-average returns through various international equities, and aims for dividend growth higher than UK inflation.

Steven Hay, company secretary of The Scottish Investment Trust, said: "We appointed Northern Trust in response to the demands of the changing regulatory environment."

He added: "Northern Trust's 125-year reputation for service combined with the quality and experience of management within its UK depository business, were key factors in our decision to work with them."

Northern Trust will primarily provide custody, trustee and depository services, but it will also offer fund administration solutions, investment operations outsourcing and solutions for exchange-traded fund managers around the world.

PIMCO launches managed fixed income ETF

PIMCO has launched the first actively managed fixed income exchange traded fund (ETF) in Euroclear's international structure, launching its Low Duration Corporate Bond Source UCITS ETF on the London Stock Exchange.

The primary market issuance will be in Euroclear Bank, the international central securities depository (ICSD).

Over-the-counter and on-exchange trading will take place within this structure, and local CSDs can provide post-trade services via respective links with Euroclear.

Stephan Pouyat, global head of capital markets at Euroclear, said: "PIMCO is embracing more efficient post-trade processing, circumnavigating the need for time-consuming realignments and extra

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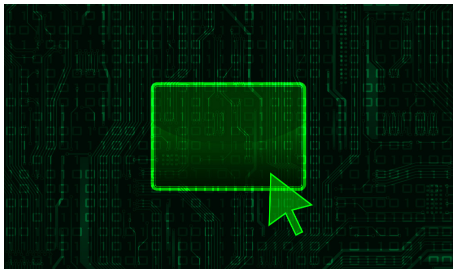

inventory buffers when buying an ETF in one domestic market, and selling it on in another."

"As a result of issuing in this international format, bid/offer spreads are expected to tighten considerably, which should drive greater investor interest in ETFs across Europe and beyond."

Investing firms can also benefit from increased settlement efficiency through a longer intraday settlement window and a pool of international clients within Euroclear's settlement lending programme.

Major partnership for two UK pension funds

Lancashire County Pension Fund and the London Pensions Fund Authority have started work on the development of a new asset and liability management partnership.

The partnership will allow each pension fund to retain its separate identity and local accountability, but could also ultimately cover all areas of activity involved in the running of the pension funds, including pension administration.

The central proposal is to create a commonly managed, jointly invested pool of assets overseen by a Financial Conduct Authority-registered entity created by the two pension funds.

Jennifer Mein, leader of Lancashire County Council, said: "Taking a more proactive approach to managing the assets and liabilities of the Lancashire County Pension Fund has really paid off in recent years and this new partnership will enable us to build on the expertise we have developed."

"Facing the challenges of supporting an ageing population, the government should be using the good practice of funds like our own and the London Pension Fund Authority to drive up the performance of the Local Government Pension Scheme, rather than dumbing down to the average."

Edi Truell, chairman of the London Pensions Fund Authority, said: "We are delighted to be working on the development of this partnership and believe, with a greater pool of assets, both pension funds will gain access to a wider range of investments."

SmartStream acquires Credit Suisse technology

SmartStream Technologies has acquired Credit Suisse's proprietary commission fees and expense management software.

In combination with SmartStream's existing product offering, this will offer clients, including Credit Suisse, enhanced control and transparency into costs at each stage of the fee lifecycle, including execution analysis and optimisation, timely substantiation of invoices and daily accounting accruals and allocations.

Efficiencies will be driven by standardising the cost management ecosystem across all broker and provider fee formats and automating complex fee computations, discounts and rebates.

SmartStream claims that these enhancements will enable the capture of cost-to-serve efficiencies and fee optimisation for all users.

Philippe Chambadal, CEO of SmartStream, commented: "This acquisition positions SmartStream to address the significant market-wide demand for fees and expense management services, as a leader in the ongoing trend toward utility-based solutions that is broadening across the financial services marketplace."

Luxembourg UCITS on Hong Kong – Shanghai exchange

The first Luxembourg UCITS has received authorisation to use the Shanghai – Hong Kong Stock Connect programme.

The pilot programme provides trading access between the Hong Kong and Shanghai stock

markets, and has seen a large amount of interest from Luxembourg companies looking to invest in A-shares on the Shanghai exchange.

Camille Thommes, director general of the association of the Luxembourg fund industry, said: “Over the past years, the Chinese economy and financial markets have undergone a remarkable transformation and seen significant growth.”

“More specifically, the Chinese equity market has grown to the second largest in the world after the US.”

“The programme represents one of the biggest developments for foreign investors wishing to access this market.”

“The programme, launched on 17 November, enables foreign investors to trade Shanghai-listed shares via the Hong Kong Stock Exchange, and mainland investors to invest in Hong Kong shares via the Shanghai Stock Exchange.”

HSBC facilitates record-breaking RQFII bid

HSBC has facilitated the application for the largest ever renminbi qualified foreign institutional investor (RQFII) quota allocation, on behalf of South Korean firm Shinhan BNP Paribas Asset Management.

The application was for RMB 3 billion, the largest amount ever approved for a first-time applicant to China’s State Administration of Foreign Exchange scheme.

HSBC has committed to helping clients benefit from opportunities created as China opens up to domestic capital markets.

The bank will act as trustee, global custodian and RQFII custodian for the funds.

Martin Tricaud, president and CEO of HSBC in South Korea, said: “We are very pleased to have successfully facilitated our client’s application for the largest RQFII quota ceiling ever approved by China’s regulators.”

“We will continue to support the Korean government’s initiative of promoting RMB internationalisation in Korea and to ensure that our clients here benefit from the globalisation of China’s currency and opening-up of its domestic markets.”

This is the latest development in HSBC’s history of providing services to clients investing in China.

In October, the bank helped Shiunhan BNP Paribas Asset Management to become the first Korean institutional investor to be licenced to access China’s onshore capital markets via the RQFII scheme.

JPX and SGX strengthen relationship

The Japan Exchange Group (JPX) and the Singapore Exchange (SGX) have announced a collaboration on the joint development and promotion of both markets.

The exchanges will work together to explore new derivatives products, develop commodities markets, improve international connectivity, and promote increased understanding between the markets.

JPX CEO Atsushi Saito said: “We have been working hard to develop collaboration to better serve our customers. [This] is intended to deepen our continuous relationship especially in the derivatives and IT area.”

This is the latest development in a long-standing strategic partnership between the two exchanges, which have been working together since 2000.

Magnus Bocker, CEO of SGX, said: “This partnership dovetails well with SGX’s strength in connecting markets to open up more opportunities for investors. Today’s development amplifies the trust and commitment sealed between two exchanges for the growth of their markets. We are pleased to expand our partnership with JPX to cooperate in infrastructure and develop new derivatives and commodities offerings together to better satisfy the evolving needs of our global customers.”

Chapman’s Eye on the market

Appy days

Is it just me or is technology not necessarily the ‘silver bullet’ solution to all of our problems that it is held out to be? I’m of a certain age (late 40s, as you ask) when I still remember the simple delights of pressing two buttons to record the weekly UK music chart on the radio, trying to catch it just right so as to miss the DJ’s voiceover. I also remember being asked if I had one of those new-fangled ‘email’ addresses. Absolutely not, I responded, somewhat distastefully (although that was at a bank whose definition of a technology upgrade was getting a higher wattage bulb for your desk lamp).

No, I’m afraid my relationship with the constantly changing world of technology is akin to someone getting dragged behind a bolting horse and trying to get back on it. I fear that I will never fully keep abreast of all developments, and so will need my 11-year-old daughter to keep me up to speed. Two things also happened recently that caused me to think about the disconnect between what technology is supposed to do—make our lives easier and more connected—and what it actually does: increase frustration, create feelings of powerlessness, and, if it’s even possible, actually cause us to be disconnected.

What caused this train of thought? Firstly, I received a text message on my iPhone from someone advising that an urgent problem with a family member had arisen so they would be unavailable. The issue was that the text only came through two days after it was sent, making me seem less than thoughtful, as I had not responded. Secondly, I had the dubious pleasure of spending two hours in an Apple Store. While everyone was super-friendly, the process slick and staff uber-cool, it did make me wonder why they needs hordes of people to fix problems, explain their products and give guidance. Perhaps more time should be spent making their products more intuitive and user-friendly than exploring the further reaches of app-dom?

On the subject of apps, I have to admit there are a few that are useful: apps for health monitoring that ‘speak’ (technical term) to a bracelet on your wrist, the Team app for juggling various sporting administrative duties and memberships, and even the passport photo app for disintermediating those expensive photo booths. In terms of connecting people, I have been told that the Tinder, Plenty of Fish and Bumble apps can be very useful. Others (and I’m not saying who) have told me that the Grindr app has improved their social lives no-end. Perhaps there’s a market for a ‘Jobbr’ app (copyright: HornbyChapman) that ‘pings’ whenever a potential candidate is near a potential employer, or vice-versa?

Whether a force for right or wrong, it is useful to bear in mind that, according to a recent survey, some 47 percent of jobs currently being carried out by humans will be done by technology in the next decade. In an industry that is administration and human heavy, it is a sobering thought to end on. As is this statement from professor Stephen Hawking, who told the BBC recently: “The development of full artificial intelligence could spell the end of the human race.” Yikes.

As ever, do let me know your thoughts. Drop me a line at paul@hornbychapman.com and a life-sized robot duplicate will endeavour to reply in a timely fashion, endeavour to reply in a timely fashion, endeavour to reply in a timely fashion (Ed, it’s broken again!)

Paul Chapman, managing director, HornbyChapman Ltd

Trust issues

The Global Custody Forum 2014 focused on the impact of digitisation on asset managers and custodian banks, as well as importance of transparency and trust between service providers and clients

STEPHANIE PALMER REPORTS

A keynote speaker opened the Global Custody Forum in London by declaring that the global custody industry must make significant changes if it is to survive in a digitised world.

The speaker began by predicting the metaphorical 'funeral of the banker' due to the digitalisation of the industry. He referenced the effects of the digital revolution on the entertainment and retail industries, and questioned: "Why shouldn't custodian banking be digitalised as well?"

Custodians typically use technology to cut prices for their clients, rather than to reduce operational costs, meaning that, while balance sheets may show a rise in income, this does not necessarily lead to growth.

"Taking on more assets means taking on more people, and that means more costs," said the speaker.

"There may be an uptick in servicing fees, but the rise in income is an illusion."

He then suggested that in order to stay relevant in a changing market, custodians should consider becoming data businesses.

Online companies are proven to hold a huge customer base, gathering large amounts of data that can be turned in to profit. But this raises its own questions around ownership and purchase of data, conflicted interests and whether, in fact, banks can add value to data.

Traditionally, banks are not custodians of data, but of cash and other assets. In order to make data custody companies work, and therefore to secure a future for current custodians, they may have to commit to building trusting relationships with clients.

"Stop thinking about the data, start thinking about the people whose activities make up the data. Think of them as people with whom you can build a relationship," suggested the speaker.

He stressed that custody banking should be a "human activity", saying that banks should be prepared to pay for data as well as being paid to process it.

"Being trustworthy will abolish threat of regulatory fines and win back the trust of clients," he said.

"The successful global custody bank of the future is one that is trusted. Just as good money can drive out bad money, good banking can drive out bad banking."

Panellists then discussed the consequences of this move towards data custody. Markus Ruetimann, COO of Schroders, pointed out that value does not come from storing the data, but because the data in question can help firms to make decisions around risk management, data provision and securities.

> "Asset managers were approaching outsourcing very differently, and many were failing to create exit strategies"

He also mentioned the effects of the digital revolution, suggesting that it will bring about both opportunities and threats for the industry, and that much of an asset managers' work may become computerised, with 'robo-investors' and algorithms able to do a large amount of the work.

Moderator Ken Back, head of business development at BNP Paribas Securities Services, asked the audience whether they thought the digital revolution would disrupt or materially change their relationship with custodians.

In an on-the-spot vote, 38 percent answered 'only in parts' and the panel was surprised by only 33.8 percent answering yes, and 14.1 percent saying no.

Only 1 percent said the relationship was not relevant, and 12.7 percent said they do not know.

Ruetimann said: "None of us really know how it will change the industry, but all of us will have to prepare. It is a change and will impact us somehow."

Murray Preston, director of global provider strategy at BlackRock, said that industry members should not overreact, and added that he didn't anticipate BlackRock's strategy changing too much in the next five years.

Susan Wright, senior regulation advisor for the Investment Management Association (IMA), moved on to outsourcing in the afternoon, discussing the way that regulators have started to monitor company's outsourcing activities, post-crisis.

Wright said that research had found asset managers were approaching outsourcing very differently, and many were failing to create exit strategies. There was also concern that outsourcing had been overlooked in the wake of the crisis, and many of those responsible for that area had since left their respective companies.

Competing asset managers, the IMA and the Financial Conduct Authority (FCA) have teamed up to find a solution to this problem.

Wright identified three key areas for improvement: oversight during the courting phase, the business-as-usual phase and exit planning; exit planning within the business as a whole; and standardising systems within the industry.

The FCA and IMA also introduced the 'know your outsourcing' initiative, encouraging asset managers to understand which areas of their businesses are outsourced and to appriciate the regulations that apply to third parties, therefore encouraging two-way, trusting relationships.

Some companies have started to implement stress testing as a precautionary measure in case of another market crash, and to prepare for 'cyber risks'.

Wright pointed out that changes in outsourcing regulations could easily be applied to other markets regulated by the FCA, and that, for all their preparation in this area, asset managers could now be a step ahead of the industry. Their clients may soon be subject to the same regulations, and if that happens they will be prepared to offer solutions.

She added: "I don't think this is a case of everyone out to make money for themselves; they do want to do the right thing." **AST**

Colombia gets in on the action

It is important to acknowledge Colombia's development of class actions, says David Gilbert of Goal Group

The growing globalisation of securities class actions means that, although the US is still the most developed and dominant centre, other legislatures around the globe are rapidly catching up. The root of this international diversification seems to have come about as a result of a combination of constraints on jurisdiction definitions in US federal courts, along with a growing desire to develop domestic class actions procedures in many countries around the globe.

In Colombia, Article 88 of the Constitution established that class actions are compensation mechanisms for damages caused to a group of individuals as a result of a transgression. The Colombian legal system has justified the creation and regulation of class action laws on the materialisation of the principle of procedural economy. The principle is essential to class actions since, with the same procedure, a group of people affected by a uniform cause can claim their rights.

In 1998, the Colombia Congress went on to pass Law 472, further expanding on the provision contained in Article 88 of the 1991 Constitution, which outlined the importance of protecting collective and public interests as well as certain individual rights from exposure to different kinds of harm.

Law 472 created two different types of actions. First, a popular action was established, which is a form of injunctive or declaratory relief for violations to the public interest. These popular actions can be brought by any citizen or group of citizens without needing to demonstrate any direct harm and—unlike all other judicial remedies—without legal representation.

The second type of action included in Law 472 is a group action, which is the most similar to the American class action in the way that it is used to enable large groups of individuals to aggregate their claims when they arise from facts or law common to the group, class or category. Contrary to what occurs in the case of popular actions, group actions arise from personal damages occurred as a result of the violation of individual rights, and their objective is to seek compensation for those damages.

Ultimately, it is important to acknowledge Colombia's development of class actions legislation and courts' appreciation of the potential benefits of this kind of regulation. As a result of this, it is vital that Colombia investors remain vigilant about their ability to participate in class actions in Colombia and other jurisdictions globally.

With Colombia investors now investing $13 billion in foreign equity shares, nearly doubled from $7 billion at the end of 2011 and $4 billion in 2009, according to the International Monetary Fund, it is clear that there is a duty to monitor and participate in securities class action and collective redress opportunities in various countries around the world. Investment in the US from Colombian investors was $9 billion, nearly $2 billion in Luxembourg and $1.5 billion in Chile.

Goal Group's analysis of its class actions knowledge base predicts that by 2020 securities class action, group and collective redress settlements outside of the US will reach $8.3 billion annually. The analysis also predicts that an estimated $2.02 billion of global investors' rightful returns will be left unclaimed each year by non-participation.

It is clear that there are still significant amounts being left unclaimed each year due to non-participation in class actions. It is the responsibility of fund managers and custodians to remain vigilant and monitor international opportunities to participate in securities class actions in order to reclaim losses. There are also now a number of specialist services available that automate the process of class action participation. This significantly minimises the complexity and cost of recovery, meaning that there becomes no real or viable excuse for non-participation from fund managers and institutional investors.

As securities class actions globalise, all investors and trustees must remain vigilant and monitor both home country and global opportunities to participate in class actions to reclaim rightful returns. All parties should acknowledge the cross-border opportunities presented by legislatures such as Colombia, to reclaim damages to which they are legally entitled. **AST**

David Gilbert
Global business development manager
Goal Group

Matching intelligence

IntelliMatch Operational Control is taking reconciliations to a new level. Paul Clapis and Jennifer Hanes of SunGard explain their evolutionary product

MARK DUGDALE REPORTS

How would you both describe IntelliMatch Operational Control?

Paul Clapis: Our reconciliation product is a very horizontal component of our overall solution suite: it can match anything to anything. The product started with a focus on cash reconciliation, but our customers can now use it to reconcile securities, futures and options, derivatives, and ATM and credit card transactions, to name a few. IntelliMatch Operational Control fits very well into our solution portfolio and integrates well with other SunGard solutions, as many have a reconciliation requirement.

We've recently integrated it with Asset Arena InvestOne, which is one of our institutional asset management products, and IntelliMatch Operational Control has become the reconciliation component for that.

The product has about 400 customers worldwide comprising banks, brokers and buy-side firms. What is unique about the product is that once a customer starts using IntelliMatch Operational Control in one area of the organisation, it often sees an opportunity to expand that use into other areas, and other reconciliation types, too.

We are also seeing a trend within our customer base to form centres of excellence internally, especially for many of our enterprise customers that are trying to save costs. A lot of SunGard's larger customers have historically deployed multiple reconciliation tools across the organisation, and they're now choosing to consolidate with us using IntelliMatch Operational Control as their reconciliation platform of choice. Customers find IntelliMatch Operational Control can replace many of their existing reconciliation tools.

Does having multiple reconciliation systems cause additional risk to banks?

Clapis: It has a cost impact and an efficiency impact. One of the strengths of our IntelliMatch Operational Control solution is that it is a true enterprise tool. For example, it has proofing and attestation capability and a number of these smaller reconciliation tools don't have that. A lot of the larger customers are building centres of excellence where they consolidate expertise into one platform and they become the experts on doing reconciliation across their enterprise with that one tool.

As a consequence, a lot of these small tools are starting to fall by the wayside because they don't have the enterprise capabilities that our solution has.

Last year at the FTF ReCON Conference in New York, they did a poll and asked the audience how many of them were using spreadsheets in their reconciliation. Four fifths of the audience said they were. The audience was asked who saw the spreadsheet as a true reconciliation tool: nobody raised their hand. Spreadsheets just don't meet today's standards for auditing and compliance. One customer has said it used a spreadsheet for reconciliation that used 3000 macros. Can you imagine maintaining that?

Jennifer Hanes: Compliance with new regulation has become a lot stricter for our clients and niche products or tools such as Excel might have been adequate for a departmental view, but certainly that is no longer going to be adequate when looking to scale across the organisation. In that instance, it is time to take a different approach.

How much have regulations been a driver for reconciliation products?

Hanes: Very significantly, especially for the kind of reconciliations that are currently done manually or using tools such as Excel, I think those are ripe for attention. They are low cost and theoretically easy to manage, but high risk as they lack auditability. So the challenge now for customers is to decide how to move all their reconciliations very quickly into a robust product, in a scalable environment, so that they get the advantage and manage costs at the same time. IntelliMatch Operational Control is an easily integrated system that covers all types of reconciliations, so, regulation and costs can be managed.

To what extent does the system Control work in conjunction with other SunGard products?

Clapis: We are now integrating IntelliMatch Operational Control into a wide number of SunGard solutions. It has a relatively small footprint that can easily integrate with other solutions, allowing customers to leverage the reconciliation technology as part of a complete integrated solution. They may also see the opportunity to expand the use of IntelliMatch Operational Control to address other reconciliation requirements across their business.

Hanes: To complement that, many of our customers are moving towards a centre of excellence for reconciliation exclusively, so they are using IntelliMatch Operational Control on its own for its full power to handle the various types of reconciliation across the enterprise. Depending on the functional area within the bank, whether it is a private bank, an investment bank, or a financial centre, the product can be used for all types of reconciliations. The value of a centre of excellence to a large company is in consolidating costs, increasing operational efficiencies, and leveraging both technology and a knowledgeable team across many business areas.

Another example where we have integrated reconciliation to solve a specific business problem is with Apex Collateral. Here, we integrated IntelliMatch Operational Control to address the specific reconciliation requirements related to over-the-counter trade reconciliation, allowing for a more accurate view of collateral and so a better ability to manage that collateral proactively. **AST**

Paul Clapis
Director, product management, IntelliMatch
SunGard

Jennifer Hanes
COO, IntelliMatch
SunGard

Time is of the essence

The brains behind the Lombard-Genpact collateral management deal explain the many benefits of speedy processing

STEPHANIE PALMER REPORTS

A constantly changing regulatory landscape is forcing firms on both the buy and sell sides of the collateral chain to seek out new ways of digitalising, synchronising and reporting data.

Lombard Risk and Genpact have teamed up to provide just such a solution.

Integrating Lombard Risk's Colline system and Genpact's CARDS software, the solution allows firms to digitise their legal collateral agreements and capture the terms and conditions across asset classes, counterparties and business silos.

While Colline is a dedicated management and optimisation system for collateral, clearing and inventories, Genpact's Collateral Agreement and Reference Data Services software (CARDS) converts contractual collateral agreements into digital data, removing the need for manual inputting, and creating a more streamlined data processing system.

Clients' agreements will be scanned and digitally extracted into business parameters required for efficient collateral management and optimisation before they are automatically entered into Colline, which will then use the data to process margin calls and collateral optimisation on the behalf of the client company.

Lombard Risk product director Helen Nicol says: "Having a system that converts the agreements into data that is then captured in Colline will save clients time, and will be more accurate than entering the information manually."

"From a new client's point of view, when a large number of collateral agreements will need to be entered, having CARDS to automate this process will be a great head start."

Tony Freeburn, assistant vice president of financial market solutions at Genpact Headstrong Capital Markets, adds: "A digital approach to loading the agreements means that they can be approved within a very short space of time."

Although rapid processing is the aim, as yet, it is unclear what the start-to-finish timescale will actually be.

According to Freeburn, realistically it could take as little as an hour, compared to manual input, which can take much longer.

"It depends on the complexity of the agreement," he says. "CARDS has a comprehensive vocabulary built in, so it can analyse the agreement and if it doesn't recognise a term or is unable to extract it, we will be notified and we will manually input it. Then, the next time that term comes up, it can just go straight through."

"That way, we will constantly be improving, and eventually we will be notified less and less. At the moment we're hoping to start with something like 80 percent of terms being recognised at first pass, but that obviously depends on the particular agreements."

While common words and phrases will appear in many of the contracts, it is the differences that will initially require manual intervention. The bespoke language in collateral agreements means there are bound to be terms that the system does not recognise immediately.

"We expect CARDS to highlight what makes this agreement different to the others, while still scanning the whole document in detail and digitising the relevant parameters. This is much faster than going through it all manually," says Freeburn.

"Many of these agreements use the same terminology since, as legal documents, there's very little room for ambiguity by design. Even then, no two are ever the same."

Nicol adds that, when inputting data manually, not only is the process more time-consuming, but it is also subject to human error. Automation significantly decreases this risk.

"You can't be too stringent when it comes to regulatory content, and that legal agreement could be incredibly complicated," she says.

"The service we offer is designed to get the relevant data to the platform. These can be 10,000-word agreements. If we can speed up the process through automation and digitisation, that will be a benefit for everyone."

That said, the system doesn't mean a complete removal of human input in the process. Sachin Pai, assistant vice president of financial market solutions at Genepact Headstrong Capital Markets, adds: "No tool in the market is capable of wholly accurate extraction of attributes from legal collateral documentation, essentially due to the degree of customisation."

"Therefore, while our platform can extract attributes to a high degree, the operational service supplements it to ensure the attributes are accurate, complete and go through a configurable approval process before channelling through to Colline."

At the height of the technological revolution, it has taken a particular push to get this development off the ground, and it is regulation that has acted as the catalyst.

> "Slow manual agreement processing has always been a problem because of the complexity of the agreements, and a brake on deal generation, because no trading can be authorised until the agreements have been loaded into the collateral management system"

Freeburn says: "Slow manual agreement processing has always been a problem because of the complexity of the agreements, and a brake on deal generation, because no trading can be authorised until the agreements have been loaded into the collateral management system."

"The problem is being exacerbated by the changing regulations, which will shortly mean the renegotiation or replacement of virtually all open collateral agreements relating to OTC derivatives."

"With regard to those instruments that become eligible for mandatory CCP clearing, the existing margin and collateral eligibility rules within the current agreements will have to be replaced by those relating to the relevant CCPs," says Freeburn.

"Meanwhile, for those instruments that remain uncleared, the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO) proposals require that, instead of simple agreed collateralisation, both parties will have to exchange both initial and variation margin on a daily basis."

"Various regulatory bodies could interpret these proposals differently, which means there could be different versions depending on the counterparty jurisdiction."

As an external service, CARDS can, in theory, process any kind of contract or agreement that's fed in to it, while Colline simply manages and consolidates data to be used as each respective company requires.

This means that as well as being applicable in various European jurisdictions, the technology could prove to be in demand globally

Nicol says: "At Lombard Risk, we have clients all over the world who have been using Colline for two-and-a-half years. We're satisfied that we're prepared to provide those in Australia or Dubai with the same services we provide in the UK and Europe."

"Although there are regional regulatory and operational nuances, the core front-to-back margin processing and general strategic objectives remain the same; compliance with regulatory obligations and greater straight-through-processing."

Regulatory changes are coming in to play all over the world, and with its international reach, adaptable base product and, now, collaboration with the CARDS technology, Lombard Risk is well placed to anticipate regulatory demands in other markets before they arise.

The system is tailored to transparency, speed and automation, ultimately making processes cheaper and easier for the end client. Meanwhile, the speed aspect brings trading closer to achieving T+2 settlements.

With the agreements automatically processed by CARDS, and consolidated by Colline, Genpact can then connect with the client to fill in any gaps in the information, and continue adding data to expand its workable vocabulary.

The regulatory environment is becoming more and more focused on fairness towards clients, and the Lombard Risk-Genpact collaboration reflects this, with a few added benefits thrown in.

Nicol affirms this ethos, stating that the two firms are working together to make the end-to-end settlement process as clear as possible, from the initial agreement, brokering the deal, right through to implementation and reporting.

"The clients can be as involved as they wish throughout the whole process," she says. "They can help to sort out any problems that come up, and that increases transparency too." **AST**

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Industry appointments

Markel International has made additions in its professional and financial risks division.

Martin McCarron has been appointed head of financial institutions and **Nick Rugg** joins as financial institutions team underwriter.

McCarron joins Markel from Catlin where he worked as class underwriter in its financial risk division. Before this he spent more than 12 years at Lockton Companies International where he was a divisional director in the professional and financial risks team.

Rugg has more than eight years of insurance experience, most recently as financial institutions and directors' and officers' underwriter.

James Hastings, managing director of the professional and financial risks division, said: "McCarron and Rugg are experienced, well-connected and we look forward to them playing an important part in the further development of our professional and financial risks team."

LCH.Clearnet Group has appointed two new senior executives, with **Michael Davie** becoming group COO and **Martin Pluves** taking up the role of central counterparty CEO.

The new roles will become effective from 1 January.

As group COO, Davie will be responsible for the LCH.Clearnet's global product and business development activities, including strategy and delivery.

He will also oversee innovation, industry insight and manage certain key relationships.

CCP CEO Pluves will continue a close partnership with Davie in his new role and will report directly to group CEO Suneel Bakhshi.

HSBC has confirmed that **Arjun Bambawale** has left his position as head of securities services for Europe.

Bambawale joined the HSBC group in 1987, and has held several senior positions including head of global payments and cash management in India and head of personal banking for Northern India.

Simmons & Simmons will open a new office in Luxembourg with recently recruited partner **Stéphane Ober** leading a new team.

Ober will be joined by Louis-Maël Cogis, Viviane De Moreau d'Andoy, José Ignacio Pascual Gutiérrez and Pierre-Régis Dukmedjian.

The office will focus on services for clients in the asset management and investment funds and financial institutions sectors, including private funds formation, UCITS, and tax matters.

Jeremy Hoyland, Simmons & Simmons managing partner, said: "Luxembourg is one of the largest fund domicile jurisdictions and our opening there is a key development for clients, and for the firm."

BNP Paribas Securities Services has made three senior appointments in its assets and funds services team in London.

Blair McPherson has been chosen as regional head of global custody products. He previously spent 11 years at RBC Investor Services in a variety of roles, including head of innovation.

At BNP Paribas Securities Services, he will focus on the development of global custody products for the UK market. McPherson reports to Andy Butler, head of products and solutions for asset and fund services in the UK.

Paul Cocklin has been appointed as product manager for global custody. He joins from J.P. Morgan, where he held a similar role. Prior to this, he spent 12 years at Northern Trust as product manager in the treasury division. Cocklin will report to McPherson.

Finally, **Mark Schoen** has been selected as global head of solutions for the pensions, insurance and sovereign wealth segments. He was previously head of product development for Europe, the Middle East and Africa at Northern Trust.

Before this, Schoen was head of asset servicing at SBC Warburg. **AST**

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