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Industry ready for the impact of T2S

A majority of financial industry participants believe that Target2-Securities (T2S) will have a significant impact on their organisations, but custodians and central banks don't expect to be heavily affected, according to a survey by GFT and the International Capital Market Association (ICMA) European Repo Council.

Of the respondents, 75 percent agreed or strongly agreed that they are aware of the implications of T2S, and 80 percent agreed that it would have an impact on their business. Only 20 percent answered that doing nothing was a viable option.

Of those that don't expect to be affected, most were central banks and custodians.

The majority, expect to benefit from the move to T2S, with 71 percent of operations staff and 62 percent of funding staff anticipating positive changes.

In the front office, 44 percent of cash traders and 55 percent of repo traders expect positive changes, while this figure is just 45 percent among network management staff.

Most respondents thought that the major changes will be within payments and cash management, with 62 percent agreeing with this.

But 77 percent said that T2S would lead to a greater pool of collateral and increased liquidity, and 66 percent anticipate greater tripartу interoperability. Just over half, 51 percent, also thought it would lead to a decrease in the number of agent banks.

The survey also found that a majority of repo traders believed that the benefits would include an increase in liquidity collateral via more efficient settlement and harmonised settlement deadlines.

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Eurex Clearing Asia receives clearance in Singapore

The Deutsche Börse Group's new Singapore-based clearinghouse, Eurex Clearing Asia, has received 'in principle' regulatory clearance from the Monetary Authority of Singapore (MAS).

Eurex Clearing Asia forms an integral part of Deutsche Börse's proposed new trading and clearing offering for investors during Asian trading hours, and looks set to start business in 2016.

Initially, the clearinghouse will handle selected European benchmark derivatives listed at Eurex Exchange. The range of products cleared will expand to include listed derivatives based on Asian underlying assets.

Deutsche Börse also intends to seek recognition for Eurex Clearing Asia as a third-country central counterparty, from the European Securities and Markets Authority. Once approved, it can provide Asian clearing services for market participants in the EU.

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ICAV Bill approval is imminent, says IFIA

The new Irish Collective Asset-management Vehicle (ICAV) Bill could come in to law within a matter of weeks, according to the director of the Irish Fund Industry Association (IFIA), Kieran Fox.

The bill establishes laws designed specifically for the global funds industry that will work alongside existing legislation while offering a more tailored, appropriate and efficient legal structure for Irish funds.

Fox said: "The ICAV is a bespoke piece of legislation specifically designed, from start to finish, for investment funds. It will be a more efficient corporate structure for investment funds to use."

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Industry ready for the impact of T2S

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Most firms said they have plans and initiatives underway in response to T2S, with many reviewing their network management and custodian arrangements.

It was evident that a majority of respondents, including sell-side firms, are planning to connect to T2S indirectly. There is a feeling that this will have an impact on technology, and many believed that their costs will either increase, or remain the same.

Emily Cates, a specialist in operational processing at GFT, said: "The survey results should give industry participants comfort that the implementation of T2S is well understood. Areas seeing benefits in T2S include operations and cash management, likely a result of the opportunity to simplify settlement and funding mechanisms by reducing the custodian bank network."

"Front office are bullish too: the benefits of improvements to collateral liquidity are likely to be the driver. Over 80 percent of respondents feel there is significant impact of T2S. That needs careful planning. The time for action is now."

Godfried De Vidts, chairman of the ICMA's European Repo Council, added: "We will use the survey results to help guide and shape our approach in the provision of T2S information, and give guidance and training to our members. The market now sees that T2S will improve settlement efficiency and timeliness, and remove complexity. However, we do wonder if T2S represents a missed opportunity for repo, for it will not improve repo end leg settlement nor lifecycle events."

ICAV Bill approval is imminent, says IFIA

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He added: "We expect it to be finalised around the end of February. It should be online within weeks, and the central bank has committed to accepting applications within two weeks of the legislation being finalised, which we are eagerly anticipating."

The general scheme for the bill was published in December 2013, and a final draft was revealed in July 2014. The bill is currently in the stages of parliamentary approval.

Eurex Clearing Asia receives clearance in Singapore

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Combining the market and services of its Eurex derivatives arm in Asia, Deutsche Börse will create 'Eurex Asia', offering new trading opportunities, third-party clearing services and improved post-trade efficiency across the Asian time zone.

Andreas Preuss, deputy CEO of Deutsche Börse AG and CEO of Eurex, said: "This is a further important milestone in the Asian growth strategy of Deutsche Börse Group. Eurex Clearing Asia will generate new and interesting business opportunities for our customers, and we are becoming an integral part of the financial centre of Singapore."

"We aim to contribute to its further development and internationalisation and look forward to cooperating with MAS and our business partners."

Mixed bag of Q4 2014 results

J.P. Morgan, Citigroup and Northern Trust were among the first three banks to release their Q4 results, with Northern Trust reporting a slight increase in assets under custody, while Citigroup saw a sharp drop in net income and J.P. Morgan reported mixed results.

In Q4 2014, Northern Trust's assets under custody were $5.97 trillion, a 1 percent increase on Q3's figure of $5.91 trillion, and a 7 percent jump from Q4 2013, which reached $5.58 trillion.

Assets under management reached $934 billion in Q4 2014. This is also a 1 percent increase on Q3 2014, which reached $923 billion, and a 6 percent increase on the figure for Q4 in 2013, of $884 billion.

Custody and fund administration fees increased by 12 percent, which was largely attributed to new business and higher equity markets. It was partially offset, however, by the impact of movement in foreign exchange.

Citigroup's net income was $350 million on revenues of $17.8 billion, compared to $2.5 billion of income on $17.8 billion revenue in Q4 2013. This has been attributed to an increase in legal expenses and charges, which totalled $3.5 billion in Q4 2014, compared to $1 billion in the same period of 2013.

Securities services results were positive, with Q4 2014 reaching $574 million. This is a drop of 4 percent compared to Q3 2014, which reached $600 million, but a 4 percent increase on Q4 in 2013, which peaked at $554 million.

For the full year 2014, securities services reached $2.33 billion, a 3 percent increase on 2013's total figure of $2.27 billion. This increase has been attributed to increased client balances and activity in the market.

Citigroup's total figure for the markets and securities services sector was down, however, with Q4 2014 reaching $2.99 billion, a drastic 30 percent drop from $4.28 billion in Q3 2014, and a 9 percent drop from $3.27 billion in Q4 2013.

As well as securities services, this incorporates fixed income market revenues and equity markets.

Fixed income markets revenues reached $2 billion, a decrease of 16 percent compared to Q4 2013. This drop has been put down to difficult trading conditions in spread products and a challenging macroeconomic environment that has affected the rates business as a whole.

Equity markets reached $471 million, a 3 percent drop compared to Q4 2013, attributed to lower trading revenues in cash equities throughout the European, Middle East and Asia region.

Citigroup CEO Michael Corbat said: "While the overall results for 2014 fell short of our expectations, we did make significant progress on our top priorities."

He added: "Although we made some difficult decisions over the course of the year, I believe they allowed us to put our franchise in a position to have a successful 2015."

ASTINBRIEF

J.P. Morgan reported a rise in its custody and securities services businesses, among mixed overall figures.

Assets under custody reached $20.5 trillion in Q4 2014, keeping level with the same time period in 2013, but down by 3 percent compared to Q3 2014.

Securities services revenue was up by 6 percent compared to Q4 2013, reaching $1.1 billion. This increase has been attributed to higher fees and commissions, as well as higher net interest income on increased deposits.

Assets under management reached a record total of $1.7 trillion, an increase of $146 billion, or 9 percent, compared to Q4 2013. This was attributed to net inflows for long-term products, and the effects of higher market levels.

Jamie Dimon, chairman and CEO of J.P. Morgan, said: "We delivered on our commitments—including business simplification, controls, expense discipline and meeting our capital targets for the year—while maintaining excellent customer satisfaction rankings."

"I am proud of this great company, its exceptional management team and employees, and everything we are achieving for our clients, shareholders and communities. Each of our businesses and the company are very well positioned going into 2015 for long-term growth and success."

SEC hits UBS with record $12 million penalty

A subsidiary of UBS has agreed to pay a record penalty after been charged by the US Securities and Exchange Commission (SEC) with disclosure and confidentiality violations related to the operation and marketing of its dark pool.

UBS Securities agreed to settle the charges by paying more that $14.4 million, including a $12 million penalty, the largest ever issued to an alternative trading system.

It consented to the order without admitting or denying any wrongdoing. The order censures the firm, and requires a payment of $2.24 million in disgorgement and $235,686 in pre-judgement interest, on top of the $12 million penalty.

The SEC examination and investigation found that UBS failed to disclose a particular order type, PrimaryPegPlus (PPP), to all subscribers, pitching it almost exclusively to market makers and high-frequency trading firms.

PPP enabled subscribers to buy and sell securities by placing orders in increments of less than one cent, at a time when UBS was prohibited under Regulation NMS from accepting orders at such low prices. This technique allowed the subscribers to jump ahead of other orders of whole-penny legal prices.

UBS also failed to disclose its 'natural-only crossing subscription' to all subscribers.

The subscription was developed to ensure that select orders could not be placed against orders by market makers or high-frequency trading firms. It acted as a shield, only available for orders placed using UBS algorithms, which are automated using trading strategies.

UBS did not tell all of its subscribers about the feature until about 30 months after it was launched, thereby unreasonably prohibiting subscribers from using it.

These disclosure failures were in violation of Section 17 (a)(2) of the Securities Act 1933, however, UBS was also found to be in violation of several other securities laws.

UBS's Form ATS and amendments filed featured inconsistent and incomplete statements about the dark pool's sub-penny orders and natural-only crossing returns, while failing to attach some key documents.

It also failed to preserve order data for the dark pool from at least August 2008 to March 2009, and from August to November 2010, and violated confidentiality laws, giving subscribers' trading information to 104 employees who should not have had access to it.

Markit shares ETF data

Markit and FactSet have partnered up to offer Markit's set of exchange-traded funds (ETF) data and analytics to users of the FactSet workstation.

Financial information service provider Markit will become the primary source of ETF data for FactSet customers, offering a view of more than 5000 global funds issued by 200 providers across 60 exchanges.

The content allows users to assess ETF performance, tracking risk and liquidity through three core FactSet functions.

Universal screening compares ETFs based on key attributes at a constituent level. Snapshot reports provide comprehensive fund profiles, and FactSet portfolio analysis allows asset managers to compare fund holdings against their peers or personal benchmarks.

Markit's ETF data set also includes exchange traded notes and contracts, and includes daily portfolio holdings across all asset classes. It also provides more than 1300 analytical calculations, helping users to assess the overall performance of each exchange-traded product since its launch date.

Deutsche Bank secures RQFII mandate

Fullgoal asset management has appointed Deutsche Bank to act as custodian and fund services provider for two new accounts under China's renminbi qualified foreign institutional investor (RQFII) scheme.

Deutsche Bank's investor services business will provide Fullgoal with master custody, fund administration and transfer agency services in Hong Kong. It will also provide sub-custody and reporting services in mainland China for RQFII funds.

Tim Liu, Deutsche Bank's head of investor services for global transaction banking in Greater China, said: "RQFII-related services are core to our offering in the Greater China region, and this is a part of our business which has been growing exponentially. This new mandate from Fullgoal Asset Management further demonstrates the competitiveness of our full service platform for RQFII investments."

Michael Chow, managing director at Fullgoal Asset Management, added: "We are pleased to have chosen to work with Deutsche Bank. The Bank's strong support, local expertise in both Mainland China and Hong Kong, as well as its level of service, were important factors in this decision. We look forward to continuing to work with Deutsche Bank."

Fullgoal is a wholly-owned subsidiary of Fullgoal Fund Management Limited, and obtained its first RQFII licence from the China Securities Regulatory Commission in December 2012.

Citi launches A share trading for Europe

Citi's depository bank business can now offer A share trading through the Shanghai-Hong Kong Stock Connect scheme for alternative investment funds and UCITS funds that are registered in Europe.

Since the launch of Stock Connect in November, Citi has worked with regulators, exchanges, law firms and associations in Hong Kong and the Europe, Middle East and Asia region, conducting due diligence to clarify and strengthen the legal and regulatory structure of the scheme.

Citi has also become the first to develop a Model C solution to overcome some of the challenges of trading A shares through Stock Connect. The model is designed to segregate fund assets and to allow some assets to remain with a custodian, by removing the need for pre-delivery of shares to a local broker.

It also allows funds to settle A shares via the receive-versus-payment and delivery-versus-payment methods, avoiding counterparty risk with local brokers.

Cindy Chen, Citi's head of securities services in Hong Kong, said: "We are most excited to see the regulators and exchanges in mainland China and Hong Kong working together and overcoming many challenges to launch Stock Connect in such a short period of time."

"We are pleased to announce today that Citi is now ready to enable international investors to access Stock Connect by providing a solution that allows them to comply with the regulatory regime of their domicile countries and to transact in a safe and efficient way."

CACEIS becomes depository for KGAL

CACEIS in Germany has been appointed to act as depository for KGAL Investment Management GmbH.

The Germany-based asset manager mandated CACEIS for its eight closed-end funds with real assets including real estate funds and alternative assets such as renewables and aviation.

KGAL CEO Gert Waltenbauer said: "In the areas of real estate and alternative asset classes, CACEIS has both the necessary experience and the wide-ranging expertise. We are impressed by the group's ability to enact smooth fund migrations in very short time and with a high level of flexibility. We are counting on all CACEIS's strengths as a solid foundation for the future development of our business."

Holger Sepp, board member of CACEIS in Germany, said: "We are proud to be able to count KGAL, a well-established German asset manager, among our clients."

He added: "It further validates our strategy of supporting the growing field of real assets by designing individual, tailor-made solutions for clients."

KGAL has been managing real estate since 1968, and its main line of business is now providing investment opportunities for institutional investors.

SEC imposes transparency rules for SDRs

The US Securities and Exchange Commission (SEC) has introduced two new sets of rules designed to increase transparency in the security-based swap market.

Security-based swap data repositories (SDRs) will be required to register with the SEC, and to maintain records of their transactions to be assessed by regulators. They will also have to comply with reporting and public dissemination requirements for transaction data, however, exemptions will be in place for some non-US SDRs.

In addition, the new Regulation SBSR outlines the information that must be reported and publicly disseminated.

Under the regulation, securities-based swap counterparties must use the global legal identifier system to obtain the codes that will identify them while reporting data.

Registered SDRs will not be able to charge fees or impose usage restrictions for users of publicly disseminated security-based swap transaction data.

While some existing rules are being adopted for SDRs, amendments mean that these rules will apply to certain securities based swaps that were not previously addressed.

For cross-border security-based swap activity, the rules allow room for market participants to fulfil their reporting obligations through a comparable regulator in a different jurisdiction.

SEC chair Mary Jo White said: "These rules go to the core of derivatives reform by establishing a strong foundation for transparency and efficiency in the market."

She added: "They provide a powerful framework for trade reporting and the public dissemination of information that addresses blind spots exposed by the financial crisis."

The new mandates are implemented under the Dodd-Frank Act. Rules will become effective 60 days after they are published in the Federal Register, and compliance will be mandatory 365 days after publication.

Clearstream sees success across the board for 2014

Clearstream has released its figures for December and the full year for 2014, reporting a record value of total assets under custody, and increases across its settlement and investment fund services businesses.

In December 2014, the value of assets under custody held on behalf of customers reached a record high of €12.5 trillion, up 5 percent from €12 trillion in December 2013.

Securities under custody in Clearstream's international central securities depository (ICSD) rose to €6.7 trillion, an increase of 7 percent from €6.3 trillion in December 2013.

In the German CSD, securities under custody reached €5.8 trillion, a 2 percent increase from €5.7 trillion in the same period in 2013.

Over the year of 2014, the average value of assets under custody rose 5 percent to €12.2 trillion, in comparison to 2013's monthly average of €11.6 trillion.

In the settlement business, December 2014 saw 3.62 million settlement transactions processed through the ICSD, an increase of 11 percent over 2013.

In December, 3.62 million settlement transactions were processed through the ICSD, an increase of 11 percent compared to December 2013, in which 3.25 million were processed.

Of the December 2014 transactions, 82 percent were over-the-counter (OTC) transactions, and 18 percent were through the stock exchange.

On the German domestic market, CSD settlement transactions reached 7.42 million in December 2014, a 21 percent increase on 6.15 million in December 2013.

Of these, 37 percent were OTC transactions, while 63 percent were traded on the stock exchange.

Over the year, Clearstream's ICSD processed a total of 43.65 million transactions, an increase of 6 percent on 2013's total figure.

The domestic CSD processed 82.68 million settlement transactions over the whole of 2014, a 4 percent increase compared to 79.87 million in 2013.

In investment fund services (IFS), 820,000 transactions were processed in December 2014, a 22 percent increase from 670,000 in December 2013.

In 2014, IFS processed a total of 8.79 million transactions, a jump of 12 percent from 2013's total of 7.86 million.

Clearstream CEO Jeffrey Tessler said: "I am pleased to announce that we have closed 2014 with yet another record in assets under custody and excellent figures across all business areas. These results are driven by market recovery and new business attracted in anticipation of Target2-Securities (T2S)."

OppenheimerFunds automates NAV oversight

OppenheimerFunds has mandated Milestone Group to launch its NAV Oversight solution to automate monitoring of net asset value (NAV) calculations for more than 230 funds.

The solution is part of Milestone's focused solution within its pControl platform, and allows fund managers to automate the verification of outsourced fund processing functions.

Oppenheimer will have an insight in to the wider components of its NAV calculation process, building greater confidence in the accuracy of results from third-party service providers.

The system will provide a detailed report of any changes in pricing, expenses, income and capital, with sufficient detail to satisfy the board, as well as investors and regulators.

Robert Caporale, managing director and head of North America at Milestone Group, said: "For a growing number of asset managers, increasing fund oversight levels is about protecting their business and the reputation they have attained."

"OppenheimerFunds has achieved a level of thoroughness many in the industry still strive for, and we are committed to supporting them in their oversight expansion efforts."

AMfine and Fundsquare launch AIFMD partnership

AMfine Services and Securities is pairing with Fundsquare in Luxembourg to provide an integrated system for Alternative Investment Fund Managers Directive (AIFMD) reporting requirements.

The Paris and Luxembourg-based software provider has made its AIFMD reporting templates available through Fundsquare's E-file.lu platform, providing the correct XML format for asset managers' filing obligations.

The combination means that creation, transition services and XML transition for AIFMD can be integrated and fully available on a single platform.

This pairing strengthens an ongoing relationship between the companies. AMfine already uses Fundsquare's dissemination services for transmission of data and documents to regulators, data vendors and investors.

Michael Priem, CEO of AMfine services and software, said: "It's a new strategic and very qualitative cooperation agreement for us, confirming our partnership with Fundsquare on developing a joint fund data transmission and regulatory registration documents (AIFM, KIIDs, prospectus) offer."

ESMA's 2015 passport date too hasty, says ALFI

The proposed 2015 extension of Alternative Investment Fund Managers Directive (AIFMD) passporting to non-EU fund managers would be premature and could cause market distortion, according to the Association of the Luxembourg Fund Industry (ALFI).

Responding to ESMA's call for evidence on the AIFMD passport for third-country fund managers, ALFI stated that extending the passport to third countries should not occur until national private placement regimes (NPPRs) are abolished.

It argued that a parallel system would put EU fund managers at a disadvantage, thereby causing distortion in the market.

The statement suggested that the decision should be deferred until 2018, when NPPRs are due to be fully abolished anyway. If implemented, the decision should then be followed by a one-year transition period.

The ESMA call for evidence released plans to present the European Parliament, Council and Commission with a decision on extending the AIFMD passport by 22 July 2015.

Currently, non-EU alternative investment fund managers are subject to the national private placement scheme of each EU member state in which its funds are marketed or managed.

BNY Mellon secures sub-custody business

BNY Mellon has been selected as sub-custodian for Multrees Investor Services, an Edinburgh-based specialist provider of outsourced support services for asset managers and family offices.

The mandate will see BNY Mellon taking on the role of Multrees's sub-custodian network, as well as providing foreign exchange services.

Chris Fisher, CEO of Multrees Investor Services, said: "The team at BNY Mellon has supported us through a professional and robustly controlled transition, ensuring a successful implementation process. Over the coming months we look forward to further growing our business with the support of the diverse range of services BNY Mellon has to offer."

Daron Pearce, global investment manager segment head at BNY Mellon, said: "Our long track-record as a global custodian and administrator means we are ideally positioned to help Multrees to meet its strategic goals through a combination of innovative solutions, market expertise and high quality service."

SGSS chooses LCH.Clearnet for cash equities

Société Générale Securities Services (SGSS) has selected LCH.Clearnet as its main clearer of pan-European interoperable cash equities, consolidating its cash equity business.

This is the latest in a string of mandates for LCH.Clearnet amid a growing trend to drive efficiency in cash equity clearing by using a single CCP connection.

LCH.Clearnet's interoperable volumes have increased by more than 50 percent over the last 18 months

By consolidating its cash equity clearing, SGSS will provide a more efficient and optimised service for its clients. It will be able to streamline its default fund contributions and margin pages, leading to reduced clearing and settlement fees.

SGSS could also see operational savings, with fewer reconciliations and reporting requirements.

Guillaume Heraud, head of business development for financial institutions and brokers at SGSS, said: "When it comes to clearing, robust risk management is of paramount importance. LCH.Clearnet was able to demonstrate excellence in this area as well as offering comprehensive customer service and broad product and trading venue coverage."

Chapman's Eye on the market

Off to a flyer

In life, some things get off to a great start, are easy to identify and you just know they're going to be good: the opening bars of Bohemian Rhapsody by Queen, for example, or Paradise City by Guns 'n' Roses. In movies, the opening sequence in Sunshine on Leith or Lord of War stand out. Sometimes you can just tell it's going to be a turkey, such as The Wicker Man remake with Nicholas Cage, or anything whatsoever with Danny Dyer in it. To cater for all levels and aspects of readership, I'd also offer that Genesis 1:1 and Hermann Hesse's The Glass Bead Game are corkers, too.

With recruitment it can be more difficult, as what can turn out to be a stellar, vintage year can have a sluggish start, and vice versa. Well, in 2015 so far—and this is strictly in keeping with my 'be positive resolution', which is holding firm—I'm slightly more than cautiously optimistic from what I've seen and heard. We've picked up a goodly amount of mandates from both the buy and sell sides, from sales and senior risk managers through operations, implementation and compliance, from both a permanent and contract perspective.

'Data' in all its forms is an area of focus this year, along with a desire of firms to upskill. As a direct result of that last point, I suspect that firms this year will use bonus allocations more than ever before as a strategic device to manage people's careers, in so far as a 'doughnut' (ie, zero bonus) or near doughnut is a clear indication that you should start looking for a new role imminently, as your P45 is in the process of being printed out.

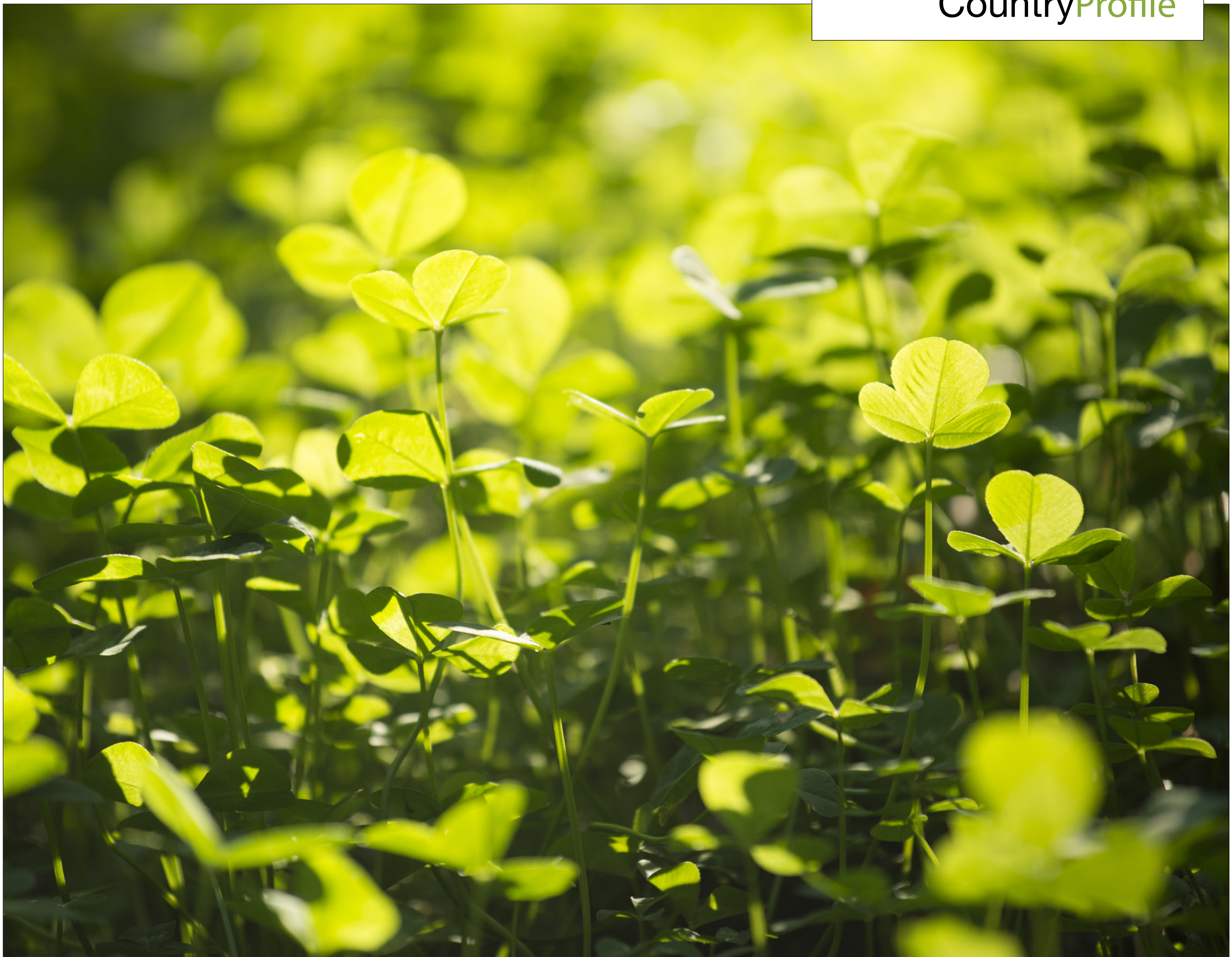
The result of that bonus allocation is, of course, that you might well get an exponentially good bonus this year. If that is the case, then congratulations, and should you happen to have a place for a passenger in your new Lamborghini, or a seat in the private dining room at the Sky Garden, then do remember yours truly.

If you are at the other end of that bonus spectrum then it may spur you on to leave your current firm and seek pastures new. As ever, this is a topic that requires many more column inches than I'm currently allocated, but in a nutshell my strong recommendation would be to plan your exit meticulously.

While you may have been experiencing unhappiness or discontentment with your firm for some considerable time and be cock-a-hoop about leaving, no good can come from performing an unprofessional exit, be that storming out of the building, telling HR 'exactly what you think of management', or tipping filing cabinets over on the way out (all have been done, and more).

Even though loyalty, be that from a firm to an employee or employee to firm, is probably at its lowest levels for many years in the industry, a positive and professional departure can pay future dividends, in that you can be formally—but internally—termed either a 'good leaver' or a 'non-regrettable departure'. If the former, there can be both goodwill and even financial considerations or accommodations involved, but if the latter, then this will leave a subliminal but indelible stain on your career, which has the potential to resurface at any stage. As ever, I'd be happy to take questions, make suggestions and give advice offline.

Paul Chapman, managing director, HornbyChapman Ltd



Playing the long game

Ireland's post-crisis funds industry seems to have landed on its feet, but it has more than just the luck of the Irish on its side

STEPHANIE PALMER REPORTS

In the fund administration industry, the Emerald Isle seems to be everywhere you look. Monterey Insight's 2014 data reported a 19 percent rise in the total fund asset services in Ireland, with funds and sub-funds on the increase, too. Irish companies are expanding their workforces and funds processing figures are rising.

It's been working away in the background for some time, but over the last few years Ireland has stood up and demanded to be noticed. Now, with a bumper 2014 under its belt, it seems that all of that hard work has paid off.

Kieran Fox, director of the Irish Funds Industry Association, says that the number of Ireland-domiciled funds in 2013 was significantly increased, even compared to the pre-crisis figures of 2008. "The biggest thing that jumps out is the difference in the total level of assets in Irish-domiciled funds. Between December 2008 and November 2013, that has jumped 150 percent," he says.

These figures were even more improved for 2014, even though the data released only reaches as far as the end of November. According to Fox, the first 11 months of the year saw a 20 percent increase in assets over the same time period of 2013, a total increase of €286 billion. About €128 billion of this, or 9.5 percent, came from net inflows.

Fox says: "The number of net inflows for the first 11 months of 2014 was at least as high as, or higher than, any full 12-month period in the last three or four years, and these were spread over equities, bonds, UCITS, non-UCITS, exchange-trade funds (ETFs)—everything has seen an uptick."

Although these numbers are impressive, the numbers of Ireland-domiciled assets are less significant, perhaps, than those domiciled elsewhere.

The total figure of funds serviced by administrators in Ireland is thought to be nearing €3.3 trillion, and this is split almost fifty-fifty between Ireland-domiciled funds and non-Ireland-domiciled funds, with approximately €1.6 trillion domiciled offshore but administered out of Dublin.

Melvin Jayawardana, European market manager at Confluence, believes that this is, at least in part, down to a skilful weathering of the financial storm that followed the market crash.

He says: “Because of huge outflows at the time, asset managers were trying to rebuild and regain their economies of scale. They did this through fund consolidations and rationalisation and by strategically looking at next new distribution markets. They had to ready themselves for when the market started to recover.”

This forward-thinking attitude led managers to consolidate their funds into one, while banks rid themselves of their asset management divisions. As the market struggled, bonds funds, which could offer more security, became more popular and their managers looked to administrators for support.

Jayawardana says: “Administrators have been growing their services to become the go-to point for asset managers. It’s not just about the traditional fund administration services anymore; it’s not all about striking the net asset value. It’s about supporting the distribution of funds and readiness for the next piece of regulation. That is exactly what fund managers are looking for – a partner to sustain them.”

As the post-crisis market has evolved, Confluence in Ireland has moved in to the asset management sphere.

“As the alternative sector has come under more regulation and legislation, we have diversified to make sure we can help them tackle solutions,” says Jayawardana.

While the administration firms themselves have worked hard to protect their future, the IFIA has also been working to make Ireland an attractive place to set up funds.

“On the distribution side, subscriptions and net inflows are something that IFIA has focused on over the last year or two,” said Fox.

“We can’t go out and sell any particular fund, and we can’t go and speak to investors, but what we can do is make sure that Irish funds are as easy and as efficient to distribute as possible.”

Jayawardana elaborates on this, attributing a great deal of Ireland’s recent success to IFIA CEO Pat Lardner, who took over in 2012, and his team.

He said: “With Pat in charge, the IFIA has done an incredible job at putting Ireland out there in the industry. Pat has been getting out there and travelling a lot, taking a lot of information and literature.”

“The IFIA has made investment in the Irish fund industry easier to understand and has promoted the need to introduce special vehicles and access that allow managers to set up very quickly.”

In parallel, Ireland has stretched its technological offerings to accommodate the modern market, and the regulatory requirements that have come with it.

As the market recovers, investors are more concerned about knowing exactly where their money is, and what exactly it is that they’re investing in.

“We are going to see a rise in data and risk analytics. Information will be at the core of this,” says Jayawardana.

At the same time, regulatory requirements such as the Alternative Investment Fund Managers Directive (AIFMD) and the European Market Infrastructure Regulation (EMIR) feature strict reporting obligations that have pushed firms throughout Europe to renovate their entire systems, implementing new systems and processes to satisfy the regulators.

Again, Ireland has found itself at somewhat of an advantage.

Fox says: “We are at the forefront of developments, and we try to remain an innovative jurisdiction. We constantly rank highly on things like automation surveys, where we have straight-through processing and access to platforms.”

It is clear that Ireland can compete on a global scale—it services 40 percent of the world’s hedge funds—but it has one final ace up its sleeve when it comes to administration. Its position within the EU means that asset managers setting up a fund range in Europe will have access to marketing passports under UCITS and AIFMD.

“We would emphasise the benefits of being able to distribute funds freely in Europe versus the perceived costs and additional regulatory compliance issues,” says Fox.

“There is at least a possibility that, at some stage, alternative investment funds or AIFMD-compliant bonds might have an additional regulatory badge that managers will want, even if they’re distributing funds outside of Europe.”

Jayawardana, however, points out that these benefits apply to the EU as a whole, stretching to offshore jurisdictions such as Guernsey, and Malta.

“Managers outside Europe are looking for that special vehicle to make their investments and to get in to Europe. Even though they fall outside of Europe, they will still have strict regulatory requirements.”

While the shared currency of the Eurozone has its obvious advantages of stability and a lack of devaluation, Jayawardana believes that the weaker euro against the dollar can only attract investment to the European industry as a whole, so Ireland must stand out for its own reasons, too.

He praises Dublin’s funds infrastructure, pillared by the Central Bank of Ireland and the IFIA. Alongside an efficient tax system and the recovery of the market, it’s the strong system that makes Dublin such an appealing jurisdiction.

“The essence of attracting markets over there is the fund structures, the access to the regulators, and the ability to launch funds speedily. The IFIA has worked with the regulators to cut down the approval process significantly, and the central bank has helped as well, readily sharing information and making sure that the process is smooth.”

Fox expresses a similar sentiment, offering up some praise for its central bank.

“We do have a very highly regarded regulator. We don’t always agree with them 100 percent, but I think that’s healthy, and it’s probably always going to be the case.”

“Either way, it is highly regarded and accessible, and it does facilitate access and speed to market, which is essential.”

He adds: “The other thing that is very favourable to Ireland is our reputation, and we’re very mindful of that, too.”

Fox goes a step further still, attributing a large part of Dublin’s success to the calibre of its people and the enthusiasm of the Irish.

“It’s because of the experience and the expertise of the staff. We have a highly skilled workforce, who are business-friendly and keen to get new business for a full range of different fund types.”

“I certainly think we have the full package.”

Having resurfaced so successfully, post-crisis, there are high hopes for the future of Irish funds, even if the levels of growth cannot remain quite as steep.

Jayawardana puts Dublin on a competitive par with the likes of Luxembourg, and predicts even more growth in the near future.

Fox, on the other hand is cautiously optimistic, and acutely aware of the damage that can be inflicted by external market factors, often without warning. These issues, he says, can play a huge part in the numbers involved, and he accepts that, by definition, it’s a risky business.

“Notwithstanding outside factors, market changes and shocks that we don’t have any control over, from our point of view the distribution of net inflows in Irish funds is absolutely sustainable.”

“We compete well and we compete successfully, and if you look at the most recent numbers they certainly illustrate that.”

Ireland has played the long game so far, and it seems to be paying off. Now that it’s getting into its stride, this little jurisdiction is firmly cementing itself among the big players. **AST**

Bumps on the buy side

Compliance with OTC derivatives reporting has been a rocky road for buy-side firms, and it doesn't look like EMIR is going to let up anytime soon

STEPHANIE PALMER REPORTS

At the beginning of the year, Misys released a whitepaper addressing the influx of regulation in the over-the-counter (OTC) derivatives industry and, more specifically, the risks that have shifted toward buy-side firms as a result.

The paper's authors, Will Dombrowski and Bradley Ziff, suggested that the myriad challenges already facing buy-side firms were just amplified by the reporting regulations enforced by the European Market Infrastructure Regulation (EMIR).

They referred to the 'global goliath' of regulation, saying that more than 80 percent of bank-based participants felt overwhelmed by the pressure of regulations and compliance. Institutions have felt the need to reassess their whole business platforms, while some even felt that regulations were taking on a life of their own, becoming ingrained with 'normal' everyday business life.

Clément Phelipeau, product manager for derivatives and collateral management services at Societe Generale Securities Services (SGSS), expands on this, detailing the issues that have faced buy-side firms, specifically.

"The first challenge for buy-side firms was to add to their transaction reporting, valuation and collateral information on a daily basis," he says.

"The second is the monitoring and management of the proper integration of reported data in the trade repository platform, as well as the reconciliation with data reported by its counterparties, either in the same repository or between several."

While Dombrowski and Ziff were not addressing EMIR specifically, the timing of the paper was notable, right in the middle of European Securities Markets Association's (ESMA) consultation period as it reviews the shortcomings of the trade reporting requirements.

Phelipeau adds: "Now, buy-side firms will have to cope with higher data quality requirements in order for the regulators to globally control all of the EMIR obligations. The reported collateral will reflect the proper application of the bilateral collateralisation expected by December 2015."

The ESMA consultation addresses the practical implications of EMIR reporting, and intends to clarify the interpretation of data fields needed for reporting, as well as the most appropriate way of reporting them.

With the revisions due to be disclosed in February, an industry just coming to terms with one set of regulations is collectively hoping for some simplification, but preparing to be even more confused

Francis Cook, a specialist in regulatory compliance at GFT, formerly Rule Financial, clarifies that, as this is the first consultation on this issue, it's hard to know what will happen next.

He says: "The initial views on the consultation are that it will move the reporting in a good di-

rection in terms of the clarity. Unfortunately, it does raise new questions to replace old ones."

"The major changes proposed are around the product underlyers and an identification of the Regulation on Energy Market Integrity and Transparency (REMIT) reports submitted under EMIR. There is also an expansion of the fields around collateral to provide a complete picture of collateral received and posted."

"The other aspect is the context of this review and how ESMA expects the output to be adopted. On first reading, the commission do not appear to have a mandate to adopt the results of the consultation into law, unless they somehow work around the adoption of the initial text. All in all, we would expect to see this process changed, or updated in future."

Phelipeau agrees that the main changes will focus on data quality, in a bid to monitor systemic risk as efficiently as possible.

He says: "With high expectations on a better identification of trade parties, greater details on reported transactions and technical restrictions to limit inaccurate or false reports."

"We believe that reports submitted to trade repositories will very likely become a key tool enabling European regulators to fulfil their mission in this domain."

There seems to be a sense that buy-side firms are suffering more than their sell-side counterparts, simply because they have not been subject to reporting regulations before. At the same time, when the regulation first came in to force in March 2014, ESMA was criticised for not providing enough guidance, leaving unanswered questions over how exactly to implement the changes.

To make matters worse, there were also concerns about the costs that rack up alongside regulation.

"Compliance has clearly raised a barrier to the market," says Cook. "However, the cost of regulation has yet to be fully factored into trading. At this moment any costs would be disrupted by on-going regulatory development, and some firms may have managed to fold this in to their transaction reporting infrastructure."

Misys's whitepaper addresses the choices that firms face when choosing how to handle the IT aspects of the reporting—the 'build versus buy' decision.

Typically, large banks with $500 billion or more on their balance sheets and buy-side institutions with assets under management reaching in to the billions are opting to develop internal systems to handle their own obligations. Smaller firms, on the other hand, are choosing to employ third-party providers to take care of reporting for them.

Both of these options come at a cost, but outsourcing brings about additional risk as firms are still wholly responsible for their own reporting, even though it's in the hands of a third party.

It may be unclear, as of yet, how much of the cost will be passed on to the client, but Dombrowski and Ziff suggested that profitability is something that banks will have to consider, with 90 percent of regulated banks surveyed agreeing that they will keep a close eye on their costs.

This shift in the dynamic on the buy side could mean that firms will start to take on less risky business, as regulatory requirements keep on coming with no sign of letting up.

The regulatory changes in OTC derivatives trading has been gracing headlines for more than two-and-a-half years now, and with even more new ESMA guidelines in the pipeline to emerge before the end of 2015, it doesn't look like its anywhere near over yet.

Cook says: "The turbulence in the industry is certainly making people nervous, particularly with the current focus by the regulator to improve data validation, which is going to cause pressure on the booking and reporting practices in an area where there is no real consensus."

Phelipeau, however, believes that in the current market, all firms' business must be intrinsically connected to the regulatory environment, and that they should integrate their systems. He stresses that although it may not be ideal, the ESMA consultation, and anything that comes from it, is a necessary step.

"Any communication channel between the financial industry and regulators can only be beneficial."

"It is an efficient way to make European regulators fully aware of the market standards, practices and constraints borne on market participants, in addition to bilateral discussions the financial industry may have with its respective competence authorities."

No matter what comes out of the ESMA consultation, the feeling is that it's not going to suddenly clear the water.

As Cook concludes: "We are in a maze with multiple exits, but some of those exits may lead to more mazes." AST

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Industry appointments

KNEIP has appointed **Keith Dingwall** as its head of new business.

Dingwall will lead an international team of sales managers to acquire new business and identify growth opportunities. He will report directly to Renaud Oury, chief sales and marketing officer at KNEIP.

Before joining KNEIP, Dingwell worked at State Street and International Financial Data Services in Luxembourg, and held various senior management positions in the transfer agency business.

Oury said: "With over 20 years of experience in the fund industry, he strengthens our sales team considerably. His insightful market knowledge and recognition within the industry makes him a great asset to KNEIP."

PricewaterhouseCoopers (PwC) has recruited **Lachlan Roos** as its new UK hedge fund leader, taking over from Rob Mellor.

Lachlan is a partner in the firm's financial services tax division and has been at PwC since 2005.

During this time he has gained experience working with hedge fund managers in London, New York and Asia.

Lachlan has also been heavily involved in global deal activity across all hedge fund strategies.

Mark Pugh, UK asset management leader at PwC, commented: "[We] look forward to the huge contribution, momentum and growth he will bring to the practice and to our clients after working so closely in the sector over his time in the industry."

Societe Generale Securities Services (SGSS) has appointed **Oliver Doublet** as analytics product manager.

Doublet will be based in Paris and he will report to Etienne Deniau, head of business development.

He will be responsible for developing analytical solutions for portfolio management and reporting, covering, in particular, data management, performance attribution and risk indicator calculations.

First Names Group has named **Cengiz Somay** as group CEO.

Current CEO **Morgan Jubb** will take on the role of group executive chairman.

These changes reflect the needs of the business, which is concluding an intensive period of acquisitions and structural change, according to First Names.

The firm is now turning its attention to consolidating its position and continuing to drive its organic growth strategy.

Somay said: "It is certainly a very exciting time for me to take over the reins and I am very much looking forward to ensuring that the group continues to progress and flourish."

Calypso Technology has recruited **Venkatesh Ramasamy** as senior vice president for business services and utilities.

In the new role, Ramasamy will develop and execute a strategy for offering customers cost-efficient managed services.

Previously, he has held a number of management roles on the business and IT side at RBS and Dresdner Kleinwort, in London and Tokyo.

Charles Marston, chairman and CEO of Calypso, said: "He is a seasoned and accomplished executive who has a record of managing product innovation, revenue gains and organisational change through some of the toughest conditions faced by capital markets in the last 50 years."

Nasdaq has hired **Salil Donde** as executive vice president and head of global information services. Donde will be responsible for leading the strategic direction of the business while managing the success and growth of Nasdaq's current data and index products.

He will be based in New York and will report to Adena Friedman, president of the firm.

Friedman commented: "Donde's appointment represents our unwavering commitment to innovation and client partnerships as we continue to grow and expand our index and data offerings worldwide." **AST**

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