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Hack highlights holes in cyber security

A string of cyber attacks that saw approximately $1 billion stolen affected 100 banks, e-payment systems and other organisations over a two-year period, according to an investigation led by Kaspersky Lab.

The attacks targeted institutions all over the world and highlight the difficulty of protecting this type of system, as protection systems themselves are vulnerable to hacks.

Martin Lee, cyber crime manager at Alert Logic, said: "Whitelisting applications on PCs and laptops could have detected the malware as an unapproved application. Yet whitelisting services are not immune from attacks themselves and may just become a single point of failure which, when breached, gives an attacker the ability to deploy undetectable malware."

"The reconnaissance phase of attack and command and control traffic are weak points for the attacker since their activity will be visible on the network. Equally, unusual changes in bank balances will give away their presence. But organisations need to be routinely collecting data so that they can spot anomalies, and have the resources to conduct investigations to identify the root cause."

These attacks were unusual, as it was irrelevant what kind of software the banks used.

Sergey Golovanov, principal security researcher for Kaspersky Lab's global research and analysis team, commented: "Even if its software is unique, a bank cannot get complacent."

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Leap in broker fees imminent, says Catalyst

Banks may be forced to increase their capital broker fees from the typical 1 to 2 percent to 14 to 15 percent under increasing regulations around leverage ratios.

According to a whitepaper by Catalyst, Basel III and its leverage ratio rules in particular have placed additional pressure on banks to optimise capital. Catalyst suggested that many unprofitable clearing brokers have already exited the market, leaving fewer available to provide services.

The paper pointed out that, in the past, banks that operate as clearing brokers may not have fully passed the costs on to their clients, focusing more on security aspects and remaining under-priced. This means that execution and clearing are becoming "increasingly divorced".

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Asset managers confident about growth

Asset management company CEOs expect revenue growth in the near future, with 88 percent feeling confident about growth in 2015, and 95 percent saying they are confident about the next three years.

The results, reported in PWC's annual global CEO survey, echo those of the Asset Management 2020 whitepaper, which predicted assets under management would exceed $100 trillion by 2020, up from $63.9 trillion in 2012.

CEOs are, however, still concerned about cost cutting, with 46 percent planning to cut costs in 2015, and 28 percent planning to outsource operations.

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Hack highlights holes in cyber security

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"The attackers didn't even need to hack into the banks' services: once they got into the network, they learned how to hide their malicious plot behind legitimate actions. It was a very slick and professional cyber-robbery."

The plot was uncovered after a combined effort by Kaspersky Lap, Interpol, Europol and authorities in the affected countries. It has been attributed to the Carbanak criminal gang, who spent two to four months on each hack, beginning by infecting one user's computer in a corporate network.

The plot was designed to target the institution itself, leaving end users' accounts unaffected.

Lee also said that, although forensic examinations can often oust the affected malware, this process could take too long.

"Once discovered, it is quick and easy to announce that malware has been found, however it takes many weeks and months of forensic examination to identify exactly what which systems were affected, what was stolen and how far did the attack spread."

He added: "Only through constant vigilance and paranoia at being infiltrated can organisations hope to detect and react to attacks such as these. If an attacker knows your systems and procedures better than your own IT staff, it will be a tough fight to detect and unseat the attacker."

Leap in broker fees imminent, says Catalyst

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With changes in the market in the last five years, the emphasis has moved from the buyers to the sellers, according to the paper. The cost of capital is now more than 12 percent, meaning that brokers are targeting a return of 14 to 15 percent, or 8 to 10 times more than they have charged, historically.

The authors of the paper explained how clients that use less of the bank's collateral will benefit from lower cost, while advising that hedge funds employ intra-fund netting and compression tools.

Asset managers confident about growth

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Meanwhile, 88 percent said that they mainly use technology in order to increase operational efficiency, thereby reducing costs.

Other concerns include the availability of key skills, with 68 percent citing this as an issue, and growing cyber threats such as data security, which 63 percent highlighted as a worry. In the wake of the financial crisis, 61 percent of respondents said that a lack of trust in business was a concern.

The survey also found that asset managers are diversifying, with 28 percent saying they had entered a new sector in the last three years, and a further 18 saying they had considered doing so.

According to the survey, some asset managers are acquiring portfolios of, for example, real estate loans and lending to corporates, while alternative managers have broadened their product ranges to include private lending arrangements, primary securitisations and off-balance sheet financing.

China and the US are viewed as the most important countries for growth prospects, with additional growth from emerging markets in Asia and Latin America.

One fifth of asset managers said they plan to grow through cross-border mergers in 2015, and more than 25 percent plan to grow through domestic mergers, a statistic much higher than in other financial sectors.

Tax systems were also a hot topic, with 67 percent saying that an internationally competitive and efficient system should be a government priority, but about half saying that their government had failed to achieve this.

However, 53 percent agreed that improved regulatory coordination is increasing cross-border capital flows.

€1.4b outflows for European mutual funds

The European mutual funds industry saw net outflows of €1.4 billion from long-term mutual funds in December 2014, according to data from Lipper.

The only asset classes that experienced net inflows were mixed-asset funds, with €11.6 billion, and property funds with €300 million.

Bond funds had the greatest outflows, €5.7 billion, while equity funds saw outflows of €5.4 billion.

On a lesser scale, commodity funds had outflows of €500 million and alternative and hedge products saw outflows of €300 million.

These figures brought 2014's total net inflows down to €348 billion.

Of the markets covered by Lipper, only 12 of 33 showed net inflows for long-term funds. The market with the highest net inflows was Italy with €2.5 billion, followed by Sweden with €2.2 billion and the UK with €2 billion.

The international funds hubs saw the largest outflows of €8.3 billion. Norway had net outflows of €2.6 billion, and Portugal of €2 billion.

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The Lipper report also made early projection for the January results, based on Luxembourg- and Ireland-domiciled long-term mutual funds.

Bond funds are likely to be the best-selling asset class with projected net inflows of about €11 billion. This is followed by mixed-asset funds with projected net inflows of €7.6 billion, and equity products with projected inflows of €5.5 billion.

Decline in US pension plans, says BNY Mellon

The funded status of typical US corporate pension plans declined by 4.9 percentage points to 82.4 percent in January, according

to BNY Mellon's Investment Strategy and Solutions Group (ISSG).

The drop has been attributed to a dip in the Aa corporate discount interest rate, which determined the liabilities. It finished January at an all-time low of 3.58 percent, sending liabilities 7 percent higher.

Assets for the typical corporate plan increased by 1 percent in January, as they were also affected by the increased liabilities.

The rise in assets was also negatively affected by the weak performance of US equities, which detracted from improvements in other asset classes.

Plan liabilities are calculated using yields of long-term investment-grade bonds, meaning that lower yields result in higher liabilities.

According to the ISSG results, public defined benefit plans, endowments and foundations each missed their return targets because of weak US equities markets. The funded status for the typical corporate plan dropped by 12.8 percent since the record high of 95.2 percent in December 2013.

The results attributed an improvement in corporate plan assets in January to gains in the fixed income and emerging markets equities. Public plans benefitted from the performance of real estate investment trusts and high-yield public income, but were held back by the falling values of US equities.

Public defined benefit plans missed their January targets by 0.7 percent as assets declined by 0.1 percent. Year-on-year, public plans underperformed, missing their target by 1.4 percent.

Endowments and foundations reportedly benefitted from allocations to emerging markets and hedge funds, but couldn't keep up with targets because of the weak equity markets in the US. Real return for January was -0.5 percent, with assets returning -0.3 percent.

Year-on-year endowments and foundations are behind on their inflation plus spending target by 1.2 percent.

Andrew Wozniak, head of fiduciary solutions and BNY Mellon ISSG, said: "The huge fall in funded status in January combined with the changes in the mortality assumptions that many plans implemented in December 2014 means that many corporate plans saw their funded status drop by more than 10 percentage points in two months."

He added: "This could be a signal to plans to take on more risk by making such moves as increasing their exposures to equities and alternatives or going to shorter duration fixed income. Shorter duration fixed income may better position them to improve their funding if rates rise."

Jersey Finance defends island

Jersey Finance has defended the transparency of the island's ownership information in response to Ed Miliband's claims that it is a 'tax haven' that could be blacklisted under a labour government.

The organisation suggested that a public registry would be of 'dubious value'. It stated that Jersey has collected benefit ownership information on a registry since 1999, while on-site compliance examinations are completed regularly, and all of this information is available to law enforcement agencies.

It also maintained that Jersey's ability to capture this information is ahead of other onshore and offshore jurisdictions, including the UK.

According to Jersey Finance, a public registry could easily be bypassed by criminals and those who could use companies for money laundering and tax evasion. It also pointed out that data collected in this way could prove to be unreliable anyway.

Ed Miliband had claimed to be cracking down on “tax havens not complying with the basic rules of transparency”, and threatened a ‘blacklisting system’ for jurisdictions that refuse to make their books public.

ESMA to focus on risks and fair fees in 2015

The European Securities and Markets Authority (ESMA) will prioritise minimising systemic risk for credit rating agencies (CRAs) in 2015 and 16, while investigating data quality and fees charged by trade repositories (TRs).

In its annual report on direct supervisory activities in 2014, ESMA outlined the key actions taken in the last 12 months as well as those in the pipeline.

In 2015, ESMA will continue to tackle systemic risks by minimising conflicts of interest in the ratings process, looking in to the review and validation of ratings methodologies.

It will also focus on IT controls and information security in CRAs, and follow up on investigations on structured finance and small to medium-sized enterprises to ensure smooth implementation of plans.

Since derivatives reporting for TRs started in February 2014, almost 10 billion reports have been received and processed by the six registered repositories, and there are about 5,000 entities with direct reporting agreements. As of January 2015, there were about 300 million trade reports submitted on a weekly basis.

ESMA’s supervisory focus has now shifted to the quality of the data, ensuring that regulators have access to that data, and the scale and complexity of TR systems and the data they receive.

In 2015, it will concentrate on the relation between costs to the TRs and customer fees, while also looking at business continuity planning and Inter-TR reconciliation processes.

Individual reviews and investigations will also be completed. These will focus on TR systems software development lifecycles, data availability and regulators’ access to TRs, and the confidentiality of data.

Clearstream sees record results in January figures

Clearstream has reported a record high in assets under custody, handling €12.8 trillion in January 2015, a 7 percent increase on January 2014, which reached €12 trillion.

Securities under custody in the international central securities depository (ICSD) amounted to €6.8 trillion, 8 percent more than last January’s figure of €6.3 trillion.

In the German central securities depository (CSD), securities under custody reached €6 trillion, an increase of 6 percent from €5.6 trillion in January 2014.

In settlement, a total of 3.8 million ICSD transactions were processed, representing a 3 percent decline compared to January 2014, which saw 3.9 million transactions. Of the 3.8 million, 80 percent were over-the-counter (OTC) transactions, and 20 percent were registered on the stock exchange.

The German CSD recorded 8.6 million transactions, a 16 percent increase from 7.5 million in January 2014. Of these, 38 percent were OTC transactions, and 62 percent were on the stock exchange.

The investment fund services business processes 830,000 transactions in January 2015, 6 percent more than the 780,000 processed in the same period last year.

To ‘Infinity’ and beyond

The Finnish central securities depository (CSD), Euroclear Finland, has begun the process of replacing its entire securities processing infrastructure.

Named Infinity, the new system is designed to bring the Finnish market a step closer to T2S, and will be released progressively in three stages. The first release was completed successfully on 2 February.

Mats Råstedt, chairman of the Finnish market advisory committee, said: “This is an important milestone on the Finnish market’s roadmap to T2S, and at the same time aligns the Finnish fixed income market with the new European harmonisation standards.”

The first release replaces the CSDs previous fixed-income system, Ramses.

The second stage is scheduled for May 2016 and will replace the current equity transaction processing systems, HEXClear, and the central register.

The final release will connect the Finnish market to T2S in the scheduled migration in 2017.

Yannic Weber, CEO of Euroclear in Finland and Sweden, said: “Euroclear is making a significant multi-year investment to substantially improve the post-trade infrastructure in the Finnish market.”

“Upgrading the core CSD systems brings us closer to readiness for T2S. This remarkable market change has been carried out in very close co-operation with our participants. Our continuing objective is to offer better services and flexibility to accommodate the rapidly changing needs of all types of clients.”

Hanna Vainio, deputy CEO of Euroclear Finland and sponsor of the Infinity programme, said: “We are very pleased that the launch has been such a success. Going live took us less than two years which is a major achievement.”

JFSC signs MoU with South Africa

The Jersey Financial Services Commission (JFSC) has signed a memorandum of understanding with the Financial Services Board in South Africa.

The agreement between the two regulators provides a framework for them to exchange confidential regulatory information, and to cooperate on the supervision and regulation of firms under their respective authorities.

The understanding serves to update and replace a similar agreement, signed in 2000.

John Harris, director general of the JFSC, said: “With the provision of cross-border financial services between Jersey and South Africa expected to increase in the coming years, it is important that the JFSC and the FSB are in a position to co-operate closely.”

“This memorandum will assist in that regard as it provides a formal framework for the exchange of regulatory information and mutual assistance for the purpose of ensuring compliance by financial service businesses with both jurisdictions’ requirements.”

The JFSC now has similar memorandums of understanding with regulators in more than 90 countries.

Consultation on outcome-focused fund classification

The Investment Association has launched a consultation on how to accommodate and effectively classify the growing number of outcome-focused funds.

Outcome-focused funds now represent about £30 billion in funds under management, or 3.3 percent of the total funds under management within the industry. There are now almost 200 funds with an outcome focus in the ‘unclassified’ sector.

The Investment Association has put forward two suggestions for consultation. The first involves setting up a new sector especially for outcome-focused funds.

This would sit alongside the existing ‘mixed investment’ sectors, and would exist on the basis that both mixed investment and outcome-focused funds vary their asset allocation, while the former has specified asset parameters, and the latter does not.

The second suggestion is a major reorganisation of the sector classification scheme. There would be two distinct areas; one for asset-based funds and another for outcome-focused funds.

This option would also include a filtering tool for outcome-focused funds, allowing users to select their criteria and view funds that are more alike. A similar filtering system is already in use for targeted absolute return funds.

Jonathan Lipkin, director of public policy at the Investment Association, said: “The investment fund universe is changing rapidly with a significant rise in the number of outcome-focused funds.”

“In looking at how to accommodate this trend, we have a number of options and an opportunity to take a fresh look at the overall shape of the sectors framework. We welcome input from all interested parties as we consider how to move forward.”

Industry participants are invited to respond to the consultation by 2 April 2015. The Investment Association will also run independent research with financial advisors to gather their views.

SWIFT to provide SEPA infrastructure for UK

SWIFT has been selected by the UK payments council to act as vendor for the single euro payments area (SEPA) IBAN-only central infrastructure platform.

The platform will be able to accurately derive bank identifier codes (BICs) from international bank account numbers (IBANs), a functionality that will be required for SEPA institutions within to make euro payments to the UK under the IBAN-only regulation, scheduled for 2016.

The new rules will stop institutions from relying on customers to provide their bank’s BIC.

Currently, there is no central UK data source for SEPA-specific routing requirements. The Payments Council opted to provide an automated central infrastructure to collect and maintain all UK-specific SEPA routing data.

On the public platform, financial institutions in the UK will be able to publish and maintain SEPA routing data specific to their organisation, at any time.

It is designed to ensure that institutions in SEPA countries are equipped to accurately route euro payments to those in the UK.

Maurice Cleaves, interim CEO of the Payments Council, said: “Efficient and cost-effective SEPA compliance is a key priority for all players in the SEPA zone and, at the same time, an operational challenge for UK financial institutions. We believe the new platform enabled by SWIFT will deliver significant benefits by easing data management and ensuring accurate euro-payments routing to our community.”

Arun Aggarwal, head of UK, Ireland and the Nordics at SWIFT, said: “SWIFT is delighted to have been selected for this exemplary SEPA initiative by the Payments Council in the UK.”

He added: “SEPA compliance is critical for the whole UK community and with this initiative the Payments Council sets a prime example of how national communities can rely on our global SWIFTRef platform for managing their national data needs.”

SEC approves enhanced hedging disclosure

The US Securities and Exchange Commission (SEC) has approved the issuance of proposed rules to enhance corporate disclosure rules around hedging policies for officers, directors and employees.

Disclosure is mandatory under the Dodd-Frank Act. The amendments will mean that companies will have to disclose who is permitted to hedge or offset any decrease in the market value of those equity securities that are granted by the company as compensation, or those are held by employees or directors.

It will also require disclosure in proxy and information statements for director election.

The disclosure rules will apply to not only the equity securities of the company, but also to those if any parent, subsidiary, or subsidiary of a parent that is registered under Section 12 of the Exchange Act.

Amendments will apply to companies subject to federal proxy rules, including closed-end investment companies with shares listed and registered on a national securities exchange.

SEC chair Mary Jo White said: “The proposed rules would provide investors with additional information about the governance practices of the companies in which they invest.”

She added: “Increasing transparency into hedging policies will help investors better understand the alignment of the interests of employees and directors with their own.”

Once the proposed amendments are published on the Federal Register, the SEC will seek public consultation for a period of 60 days.

Temenos extends reach in to US

Temenos has acquired Akcelerant, a US-based financial software provider, to boost its financial services solution offerings.

Akcelerant provides software solutions for more than 600 institutions in North America, mainly in the credit union space.

Based in Philadelphia, Akcelerant will aid Temenos’s North America growth strategy, giving additional scale and a greater range of products in the region.

Jay Mossman, founder and CEO of Akcelerant, will continue as CEO, and will join the Temenos USA management team.

He said: “The combination of Temenos’ North American business with Akcelerant represents an excellent fit for our customers and employees."

"While Temenos is a global market leader in banking software, there remains great potential to improve our market share in the Americas. Akcelerant will help to achieve this potential, adding market-leading product capabilities spanning loan and account origination, service, collections, recovery and profitability."

Temenos CEO David Arnott added: "This represents a highly strategic investment for us that will further increase our market presence in North America and build on the momentum that we have been generating over recent years."

"Putting the Akcelerant products together with Temenos's, including a new US model bank for T24, will give us an enhanced value proposition for the US financial services market, which we believe needs real-time, flexible and omni-channel solutions to be able to succeed against tougher competition and more demanding customer expectations."

Societe Generale invests in GMEX

Societe Generale Prime Services has become the second minority investor in the Global Markets Exchange Group (GMEX).

Societe Generale acquired a minority stake of GMEX, and plans to provide execution and clearing services for clients trading on the exchange. It follows a similar investment from Deutsche Börse Group.

GMEX is an exchange focused on business and the launch of new products including interest rate swap futures contracts and derivatives indices. It is also involved in emerging markets exchange business partnerships.

BNY Mellon to act as depository for Burberry

BNY Mellon has been appointed as the new depository bank for the American depository receipt (ADR) programme of British fashion brand Burberry Group.

Previously, Burberry used Deutsche Bank as its depository. Each ADR represents two ordinary shares, and they trade on the over-the-counter market under the symbol BURBY. Local shares trade on the London Stock Exchange as BRBY.

This is the latest fashion brand to choose BNY Mellon for its ADR programme, joining the likes of Christian Dior, Mulberry, Ted Baker and Prada.

Christopher Kearns, CEO of BNY Mellon's depository receipts business, said: "We welcome Burberry as an ADR client and will work actively with them to build a targeted outreach program aimed at the global investment community."

Second launch for Riva's TA solution

Riva Financial Systems has completed the second major phase of the launch of its Riva Transfer Agent software solution.

The solution has been deployed across the entire transfer agency systems of asset manager Franklin Templeton Investments, following the firm's transition to the system for its UK operations.

Ghassan Hakim, CEO of Riva Financial Systems, said: "The ability to administer these UK-domiciled products alongside the firm's entire international cross border fund range allows Franklin Templeton to maximise the operational efficiencies offered by a truly global transfer agency system such as Riva TA."

Basil Fox, president of Franklin Templeton Investor Services, added: "The successful conversion of our UK product range to the Riva TA system realises one of the great benefits of our strategic partnership with Riva by enabling us to service multiple investment products on a single system, which for a large global asset manager such as ourselves represents a very exciting milestone."

Chapman's Eye on the market

Hot to trot

So there I was, having just settled down to read a spanking new edition of The War Cry with a cup of Ovaltine and some fresh macaroons—or was I re-watching Dog Soldiers with a decent bottle of Co-Op Viognier and a bowl of Doritos? Anyway, my mobile rang and it was a client, who asked: "Paul, what do you know about big data?" It was a bad line and I thought the caller had said 'Big Dave', so I replied: "Currently doing a five stretch in Parkhurst for VAT fraud, why?"

"No you idiot," he said in the voice he usually keeps for recruitment, foreign call centre and compliance types, "big DATA—you know, a 'broad term for data sets so large or complex that they are difficult to process using traditional data set processing applications,'" he said as if he'd just lifted it straight from Wikipedia. "It's the next big thing, we're behind the curve and we need the right people to help us deliver."

Such a call is representative of several which I've received so far this year, reflecting a realisation that firms need to start embracing change, and embracing it both properly and quickly. Neophobia—the fear of new things—has been the default option of many firms in recent years, however, a perfect storm of chill winds, including lower net interest income, greater competition, ever-reducing overall margins and ever-more demanding clients, has obliged firms to examine their offerings with a critical eye to see where they're coming up short. This could include revamping their product set, cutting off the 'comet's tail' of unprofitable clients (the 80:20 role of a small number of clients supplying the most revenue is very true here), upgrading technology, 'right-shoring', and of course, cutting staff.

This has been exacerbated by analysts forcing firms to rectify their woeful cost:income ratios, meaning that firms—or their securities services divisions, to be more accurate—are currently in better shape than they have been for a while.

Firms have also stopped resting on their laurels in terms of focusing on maximising revenue from existing clients and client types and are now spending time on seeking out the 'brave new frontiers' of new segments, or getting ahead of the curve with new products or applying new technologies. Examples would include the pursuit of insurance companies as a potentially untapped source of wealth—HSBC's Friends Life deal being a notable win for the bank last year—collateral optimisation being invested in, with mixed results for the major banks, and using new technologies in areas such as corporate actions and proxy voting, which is making firms such as Broadridge market leaders.

Firms do need to bear in mind that constantly buying or building the shiniest new gizmo isn't good or sustainable business practice, and the best option is the 'old fashioned way' of combining their understanding of, and vision for, the industry with regular and ongoing feedback and input from clients. Plus ça change', as my old mum used to say.

Paul Chapman, managing director, HornbyChapman Ltd

ILS of opportunity

Bermuda's ILS industry seen staggering growth over the last five years, but is the servicing infrastructure adapting fast enough to support it?

STEPHANIE PALMER REPORTS

It may be the uncontested home of the catastrophe bond, but the sunny domicile of Bermuda is never one to rest on its laurels. Now, its insurance-linked securities (ILS) business is hitting new heights, too.

In 2009, the Bermuda Monetary Authority (BMA) relaxed its insurance legislation, increasing flexibility for special-purpose insurers and paving the way for a more diverse set of catastrophe bonds to flourish.

From this standing start six years ago, the ILS market has grown at an impressive pace. By the end of 2014, Bermuda was home to 57 percent of the world's ILS, with €16 billion's worth listed there.

A comparison of 2013 to 2014 alone is notable, as ILS issuances more than doubled in 12 months. At the end of 2013, there were 77 bonds listed, compared to 118 at the end of 2014. In monetary terms, $9.71 billion became $15.91 billion.

According to an Aon Benfield review, such significant increases are not reserved just for the ILS market. Last year was also a record-breaker for the wider catastrophe bond market, with $8.03 billion of property catastrophe bonds domiciled in Bermuda. On top of that, in June 2013 there was a record amount of $36.2 billion in collateralised reinsurance capacity in the market, a 23 percent increase on the $29.4 billion on the same date a year earlier.

According to Greg Wojciechowski, president and CEO of the Bermuda Stock Exchange (BSX), this success in the Bermudan market is down not just to its speciality in insurance, but also to the innovation in processes in the island's financial sectors in general, and its seamless acceptance of changes to the global and local marketplace.

He says: "Bermuda is an excellent example of a jurisdiction that has an innovative and forward looking approach in respect of servicing its clients and creating business solutions for its global clientele."

"As the market began to change the way it sought capital, Bermuda's firms and ancillary support services quickly noted the trend and adapted to meet the needs of this developing trend. The success of Bermuda's adaptation is clearly evidenced by the deal flow attracted to Bermuda and the quality level of service—and the reputation of this service—for this highly specialised area of the industry."

As usual, being properly prepared has been the key, but not only in a practical sense. Equally important has been the willingness of the market to accept changes, and this is where the BSX has played a key part.

Wojciechowski points out that, as BSX is responsible for issuing regulations around the conduct and information dissemination responsibilities of bond issuers, it has had to make "minor tweaks" in order to accommodate the influx of ILS.

He says: "These tweaks have been widely accepted by the market and the BSX has emerged as a global leader in the listing of ILS vehicles including and, most notably, catastrophe bonds. Of the nearly 750 listed securities, over 100 are ILS-related."

This is a trend that's only on the increase, according to Aon Benfield. As part of its Q2 2014 analysis, it predicted that over the next five years the relationship between the reinsurance market and investors seeking returns will only become more complex, more diverse and, more importantly, more profitable.

Bryon Ehrhart, CEO for Aon Benfield in the Americas, said at the time of the release of the analysis: "This maturing relationship will incorporate around $150 billion of catastrophe bonds, sidecars, collateralised reinsurers and hedge fund managed insurance and reinsurance companies. Reinsurers will have a more consistent value proposition for insurers because they will have incorporated the accretive alternative capital."

Such confidence in the continuation of positive trends in ILS has been infectious. Some service providers have set up new processes to accommodate the bonds, while many other supporting firms have, like CSX, simply had to tweak their services to cater to the bonds.

Wojciechowski says: "As the ILS asset class quickly evolved, many support entities in the industry assessed how they could be involved in supporting its growth. Bermuda's regulators and the BSX focused on this development to make sure that the regulatory framework was suitable applying a risk-based approach to oversight commensurate with the demographics of the investor and consumer."

"Attorneys and audit firms already very familiar with the industry were able to provide support, investors set up Bermuda vehicles and operations, and administrators shifted focus to be able to support structures that invested in ILS transactions and vehicles."

In the past year, however, other jurisdictions, such as Malta, Gibraltar and Puerto Rico, have invested in their ILS programmes, having noticed the success in Bermuda.

While Wojciechowski insists that innovation is the key to staying ahead of the curve, the relatively minor changes in the services industries beg the question of whether the Bermudan market is doing enough to really cash in on its reputation.

He maintains, however, that the island is already showing signs of change, and this is only the beginning. With its international prominence in the sector, and the longevity that it boasts, Bermuda has seen much more drastic changes to the market than a mere shift in securities asset class, and it is more than equipped to give ILS the boost that it needs. What's more, the move towards ILS is likely to give the whole jurisdiction a lift.

"The ILS asset class has attracted the interest of professional and institutional investors given investment attributes of these vehicles. Investors have established a presence in Bermuda as this market deepens," says Wojciechowski.

"In some instances dedicated fund structures have been created as ILS investment vehicles. These structures play to and leverage the long-standing expertise of Bermuda's infrastructure and top-tier service providers that have for many years supported the international fund sector."

"It's a testament to the depth of experience of Bermuda's fund industry support providers. They saw the opportunity to support the ILS asset class and were able to innovate and create service platforms for this growing sector." **AST** alfi association of the luxembourg fund industry

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Industry appointments

Singapore Exchange (SGX) has promoted **Lawrence Wong**, currently head of listings, to head of its China business.

Wong will be responsible for building the exchange's business and relationships in China through exploring opportunities across equities, bonds, derivatives and commodities.

Magnus Bocker, CEO of SGX, said: "His significant industry experience and his extensive network in China will be vital to the growth of our business and relationships there, particularly with customers and regulators."

Lupton Fawcett Denison Till has appointed **Nick Bell** as director and head of banking and finance.

Bell was previously a partner at Ward Hadaway.

His appointment marks an important strategic development for the firm as Bell will lead the banking and finance team to diversify the firm's banking offering to institutional and corporate clients.

Richard Marshall, managing director, commented: "Having known of Bell for a good many years, it is a pleasure to finally welcome him into the fold. He will focus on developing the team and introducing new streams of corporate banking business for the firm."

Societe Generale Securities Services (SGSS) in Italy has named **Cristina Belotti** as its head of financial institutions and brokers.

Belotti previously served as sales and relationship manager and head of TARGET2-Securities (T2S), but has now joined the global financial institutions and brokers team, led by Guillaume Heraud.

BNP Paribas Securities Services has recruited **David Braga** as head of Australia and New Zealand

He will start his new role in May and will work closely with Ian Perkins, who is currently acting head. Perkins will remain head of client development in Australia and New Zealand, overseeing the local sales and relationship management teams.

Braga was previously head of product for custody and fund services at J.P. Morgan Chase Australia and New Zealand.

Allen & Overy has further expanded its German capital markets practice with the hire of **Christoph Enderstein**, who joins as partner.

Enderstein specialises in advising issuers and investment banks on international debt capital markets and structured finance transactions and related regulatory questions.

Neil Weiand, a senior partner at Allen & Ovary in Germany, commented: "Enderstein will bring us a wealth of experience from a whole series of high-profile bond issues that will help us to significantly develop our practice in this field."

BNP Paribas Securities Services has confirmed that **Charles Cock** and **José Placido** have both started their new roles as vice chairman international and global head of client development, respectively.

The appointments were announced in April 2014 and became effective in January, after a transition period during which Cock and Placido together ran the client development function at BNP Paribas Securities Services.

Cock is focusing on the bank's relationships with key customers globally.

Placido now leads the client development function at the bank.

Patrick Colle, general manager of BNP Paribas Securities Services, said: "Their experience positions us well for the future as we continue to help our clients adapt to an ever more competitive and regulated environment, expand their global reach and increase operational efficiency."

Wolters Kluwer Financial Services has appointed **Richard Reeves** as vice president of strategy for OneSumX, a governance, finance, risk and compliance solution suite.

Reeves will work directly with product management, sales, marketing and business development teams to help customers across the globe use OneSumX to address risks and business issues. **AST**

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