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Forwards, not backwards
(but always twirling, twirling towards transparency)
The tax avoidance talk threatens UK asset managers

UK payments
A new regulatory framework

Corporate actions
T2S and managing share events

Annex IV
Deadlines and down-time

Innovation talk
Transfer agency is due an upgrade

Temenos buys Multifonds for €235 million

Temenos Group is acquiring fund administration software provider Multifonds for €235 million.

A shareholder group led by growth equity investor Summit Partners is selling Multifonds. The transaction is being funded through a mixture of cash and debt.

Following the acquisition, Oded Weiss, CEO of Multifonds, will continue to run the company along with the current management team. Weiss will also join the Temenos management team.

Weiss said: “Temenos adds complementary, fund management software to its portfolio of market-leading products. And, as part of Temenos, Multifonds will have the opportunity to grow much faster by leveraging Temenos’s sales and marketing, partner and R&D infrastructure.”

“The deal is a win-win for all stakeholders and, together with the management team from Multifonds, I am committed to the group’s future success.”

Temenos CEO David Arnott added: “Following the Multifonds acquisition, Temenos now has best-of-breed software spanning private and wealth management, retail banking, transaction banking, compliance and fund administration, enabling us to offer a broad and highly compelling solution to meet our customers’ needs in a rapidly changing environment.”

“Further, we achieve a greater level of scale with a higher proportion of recurring revenues, which will give us the size and the predictability to accelerate strategic investments to grow the overall business.”

Headquartered in Luxembourg, Multifonds provides software to financial services institutions globally, predominantly in the third-party fund administration market.

Its software allows fund administrators to perform key accounting functions such as intra-day valuations and end-of-day NAV calculations, as well as to support fund administrators in key investor servicing and transfer agency functions, including investor dealing and shareholder record keeping.

The software provider has more than 470 employees in 14 offices globally. It has seen total revenues grow at around 10 percent per annum over recent years.

Temenos said it aims to combine its securities processing, custody and enterprise data management functionality with the Multifonds fund accounting platform to create a complete, integrated solution for the fund management industry.

EU court rejects ECB’s clearinghouse policy

Euro clearinghouses do not need to be based in the single currency area, the EU’s second highest court has ruled.

The EU’s General Court delivered its judgement in a case brought by the UK against the European Central Bank (ECB) on 4 March.

UK lawyers had argued that the ECB’s policy that euro clearinghouses must be based in one of the 19 eurozone countries would have forced the likes of LCH.Clearnet to relocate or exit the business altogether.

The General Court agreed on 4 March, ruling: “The ECB does not have the competence necessary to impose such a requirement.”

The ECB said in a statement that it would review the judgement annulling its Eurosystem Oversight Policy Framework requirement before deciding on future actions.

The Bank of England, meanwhile, said that it is important for the safety and soundness of central counterparties that they have access to liquidity arrangements in the currencies they clear, but “this is already the case for a number of major foreign currencies”.

“The Bank of England recognises that the ECB has an interest in the safety and soundness of UK CCPs who clear significant amounts of euro-denominated contracts. The bank and the ECB will continue to seek a coordinated and shared approach for achieving our common objectives of financial stability and the smooth functioning of market infrastructures.”

John Cridland, director general of the Confederation of British Industry, welcomed the “landmark judgement upholding the EU’s single market, setting the boundaries of what the ECB can do to support the eurozone without the agreement of non-euro member states”.

“As our biggest market, it is in the UK’s interest for the eurozone to take necessary steps to strengthen the currency union, but that integration cannot and should not compromise the principle of the single market.”

“As the race for shares of global financial markets intensifies, we need to protect our competitive advantage and this ruling gives certainty that financial services should flow freely within the EU without restrictions, which is good for the UK.”

MUFJ adds to middle-office to relieve pressure

Mitsubishi UFJ (MUFJ) has expanded its middle-office services to help ease regulatory pressures on its clients.

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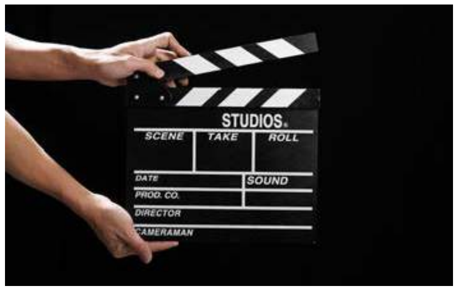


The services enable fund managers to outsource their middle-office operations, taking advantage of MUFJ’s expertise and freeing up their own in-house resources to focus on their primary investment objectives.

MUFJ is committed to providing a robust end-to-end fund administration solution to the investment industry.

Its middle office technology is incorporated with the wider custody and fund accounting systems. It utilises technology platforms from Omgeo for post-trade transaction management and Advent’s Syncova.

These platforms work together to deliver margin and collateral management, performance measurement and attribution, and risk reporting and aggregation.

Ken McCarney, COO of MUFJ Fund Services, said: “As part of the fifth largest bank in the world, we have been able to invest in our middle office services to meet the evolving needs of managers globally.”

“Outsourcing middle office operations is no longer just about cost reduction but leveraging the expertise of a partner that can help fund managers grow in a challenging climate.”

“Fund managers need a partner who can provide the expertise and infrastructure to navigate them through the whole investment cycle. We will continue to invest in our fund administration and wider asset servicing solutions to support the investment industry.”

LCH.Clearnet expands SwapClear service

LCH.Clearnet is launching new interest rate portfolio margining capabilities within its SwapClear service.

Market participants using SwapClear and LCH. Clearnet’s listed rates service will be able to maximise margin offsets between OTC and listed interest rate derivatives.

The new service aims to help clients manage their collateral obligations more efficiently.

Portfolio margining will be available on an open access basis to those regulated venues that list suitable interest rate derivatives. The service should go live within the next 12 months, subject to regulatory approval.

Daniel Maguire, global head of SwapClear and listed rates at LCH.Clearnet, said: “This is a transformational initiative for the interest rate derivatives market. SwapClear is delighted to be delivering even greater efficiencies in processing, capital and collateral for our members and their clients across the world. This is another example of innovation in our increasingly dynamic industry.”

“SwapClear is uniquely positioned to efficiently aggregate, clear and portfolio-margin interest rate derivatives from multiple venues across multiple products. Portfolio margining across both OTC and listed interest rate derivatives, on a fully open access basis, will give our members and their clients execution venue choice and access to our deep global pool of liquidity.”

London Stock Exchange Group has confirmed that has signed up to the new service.

RBI introduces new sub-custody service

The group securities services unit at Raiffeisen Bank International (RBI) has introduced a new sub-custody solution for international institutional clients in the Central and Eastern Europe (CEE) region.

RBI recently restructured its securities services business line across 15 countries in these regions, where is has already had a presence through its intermediaries.

The introduction of a new business model is intended to set RBI apart from its competitors, part of a plan to increase its sub-custody presence in the CEE area.

RBI currently has about €190 billion in client assets under custody.

At the Stock Exchange Review of 2014 gala in Warsaw, Attila Szalay-Berzeviczy, head of group securities services at RBI, said: “There was simply no need for another provider doing the very same thing as the others, approaching clients with the ‘old school’ custody service

model, therefore we decided to pioneer a 'new school' solution."

"As a result we have set up a securities services operations centre in Vienna where we implemented a brand new custody system with direct settlement links to the different national CSDs in the CEE region."

Laszlo Szasz, RBI head of group securities services business and IT development, added: "RBI's new Group Securities Services Operations Centre represents a revolutionary approach towards custody, clearing and settlement as well as to asset servicing in Central and Eastern Europe."

"We are the first bank in the region which is able to achieve perfect standardisation of all products and services across so many markets."

Apex expands into US and Canada

Apex Fund Services has acquired North Carolina-based Pinnacle Fund Administration.

Apex intends to introduce its middle management and fund administration services to the US and Canadian markets through Pinnacle's offices in New York and Vancouver. In particular it will focus on its capital introduction service and daily middle-office support and outsourcing services.

Pinnacle also has offices in Vancouver and New York. Its existing clients will benefit from Apex's range of fund administration services, while expanding market reach through access to a network of 34 offices worldwide.

Bill Salus, global CEO of Apex Fund Services, said: "With the Pinnacle team firmly on board we will surely continue the global [assets under administration] growth we achieved over the past decade."

"We are highly impressed with Pinnacle's commitment to its clients and believe they are the ideal partners to help build our North American operations."

John Kelly, a managing member of Pinnacle, said: "During this period of industry consolidation, we analysed all of the key drivers that have contributed to our success and concluded that it was in our clients' best interests that we link up with an entity that enables us to broaden our service offerings without sacrificing quality."

He added: "We then started the daunting task of identifying a partner that matched our business philosophy and ethics. I am delighted to report that we have found an ideal partner in Apex. We are excited about working with Apex management to grow and increase the visibility of the Apex brand worldwide, but particularly in the key market of North America."

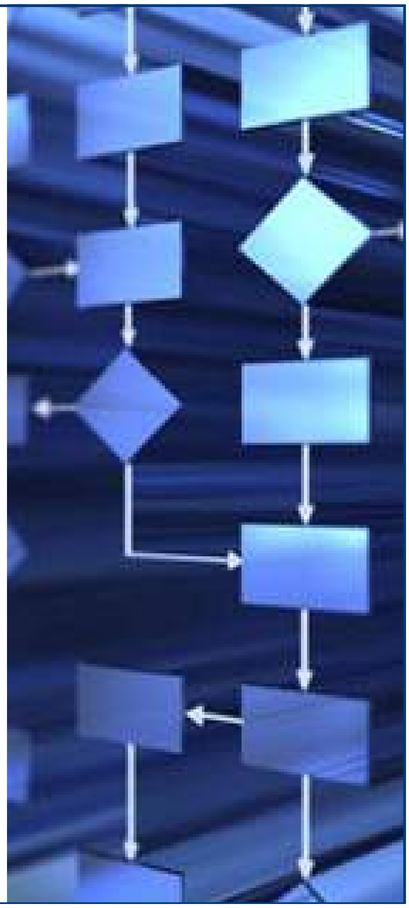
Growth ahead for hedge funds

The hedge fund industry is set to surpass the $3 trillion mark by the end of 2015, according to Deutsche Bank's annual alternative investment survey.

The survey aims to identify hedge fund sentiment and allocation trends for the year, with 435 hedge fund investors taking part, representing more than $1.8 trillion in hedge fund assets under management.

According to the survey, institutional investment in hedge funds is set to increase, with 39 percent of participants planning to increase their allocation in hedge funds. This led to a prediction of 7 percent growth in industry assets, passing $3 trillion by the end of the year.

Manager selection is also likely to become more of a priority, as the gap between underperforming and outperforming hedge funds widens. While the average hedge fund returned around 3.3



percent in 2014, the top five percent generated returns of 22 percent or more.

About 40 percent of respondents now co-invest with hedge fund managers in order to enhance returns and increase exposure to a manager's best ideas. Of these, 72 percent plan to increase their allocation in 2015.

Investors are also moving towards steady and predictable risk-adjusted returns, with risk and return expectations for traditional products declining. Only 14 percent of survey participants said they would still target returns of more than 10 percent for a hedge fund portfolio, compared to 37 percent in last year's survey.

One-in-three respondents plan to increase their allocation to quantitative strategies, with the three most popular strategies emerging as commodity trading advisor, quant equity and quant equity market neutral.

The survey also highlighted an increased interest in opportunities in Asia, with 30 percent of hedge fund respondents planning to increase investments in the Asian markets in the next 12 months. This has increased from 19 percent in 2014.

A quarter of investment respondents said they see opportunity in China, an increase from 11 percent last year. India is expected to emerge as a key beneficiary of flows, with 26 percent of investors planning to increase exposure to the region, compared to only 4 percent in the 2014 survey.

It also appeared that large intermediaries in the market are playing an increasingly important role, and large, well-resourced players are seeing strong demand from institutional investors.

According to the survey, 13 percent of funds-of-funds respondents are responsible for managing 55 percent of the total funds-of-funds assets in the market, while 28 percent of investment consultants account for the management and advice for 89 percent of total hedge fund assets in the investor segment.

Barry Bausano, co-head of global prime finance at Deutsche Bank, said: "As institutional investors' needs continue to evolve, they are increasingly looking to work with larger hedge fund managers and intermediaries who can meet their appetite for comprehensive portfolio solutions."

He added: "More and more, we're seeing today's hedge fund assets concentrated among the largest managers."

The survey was conducted by Deutsche Bank's global prime finance business. Respondents were from 26 different countries, and included asset managers, public and private pensions, endowments and foundations, insurance companies, funds of funds, private banks, investment consultants and family offices.

About half of the responding investors manage more than $1 billion in assets under management, and 20 percent manage more than $5 billion.

Murray Roos, co-head of global prime finance at Deutsche Bank, commented: "Hedge fund managers who continue to focus on alignment of interests with the allocator community will have an increasingly competitive advantage as our industry grows and evolves."

He added: "Reward for alpha generation and co-investment opportunities will be key factors in building strong partnerships between limited partnerships and general partnerships."

CSDs in the first wave in best position for T2S

Being a part of the first wave of Target2-Securities (T2S) is "crucially important", according to Avi Ghosh, head of marketing and communications at SIX Securities Services.

In a blog for Post Trade Views, Ghosh said that, while it is good that the industry is preparing itself for the initiative, central securities depository (CSD) clients would be best advised to use a first-wave CSD.

The CSDs that launch T2S in the first wave will have more time to 'road-test' the initiative, and will always have more experience with T2S that the second-and third-wave CSDs. According to Ghosh, this means that they will also be able to more competently develop additional services on the platform.

He added that, as well as focusing on connectivity, firms should be looking to take advantage of the other business and technology opportunities that T2S presents.

He wrote: "Although T2S should bring down costs long-term, it is not just about cost savings. Rather T2S presents the possibility to help your business achieve what it wants to achieve, particularly in areas such as collateral management and asset servicing."

On top of this, Ghosh suggested that being in the first wave will be beneficial because many global custodians and international banks will opt to connect only two or three CSDs, and the natural choice will be those first-wave options that are most prepared.

SunGard and InCore unite for simpler processing

SunGard is pairing up with Swiss bank InCore Bank AG to deliver a collaborative solution for reducing operational complexities for Swiss private banks.

The solution combines SunGard's Ambit Private Banking solution suite with InCore's banking business services to create a new business process outsourcing platform.

It will introduce new tools and services, and lower operational risks and costs, addressing the pressures of regulatory change and reduced revenues, and the trend of banks implementing new models.

The new services will include front-office solutions and create standardised and automated back office facilities, allowing banks to focus on their primary, client-related tasks.

The new platform is designed to cater to both present challenges and others that may arise in the future.

InCore CEO Roland Eilinger said: "This new alliance offers the benefit of a 'one-stop shop' for private banks and removes the burden of maintaining back office processing from these firms, who can now interface with a single partner to help reduce complexity and operating costs."

"Coupled with the strength of SunGard's private banking technology, we are offering a unique and comprehensive outsourcing model specifically serving the Swiss private banking industry."

Daniel Bardini, COO of private banking at SunGard, said: "This collaboration goes beyond a simple business proposal. We see this as a platform for industry collaboration as we strive to introduce greater standardisation and efficiency within Swiss private banking and help Swiss private banks optimise performance amid widespread and complex change."

"We are confident that this new offering will be an enabler of great business benefit for these banks in helping them lower complexity and rationalise costs while enhancing efficiency and ultimately overall business performance."

Mandatory buy-ins will cause trouble, says ICMA

The International Capital Market Association (ICMA) has released a report strongly criticising the mandatory buy-in provision in the Central Securities Depository Regulation (CSDR).

Buy-ins act as additional security for the buyer of securities in a trade. If the counterparty fails to deliver the securities agreed, the buyer has the right to appoint an agent to purchase the securities at market value for guaranteed delivery on its behalf.

The buyer will still purchase the securities for the agreed price, and the seller must make up the difference.

This is currently primarily conducted on a discretionary basis, and occurs fairly infrequently, however, under new CSDR rules buy-ins will become mandatory if instruments are not delivered within a specified time frame.

The responsibility for managing the buy-in could also lie with the central securities depository (CSD), trading venue, or even the central counterparty.

According to the ICMA report, the impact of Basel III on a bank's balance sheet has led to market makers retaining low levels of inventory, and therefore in many cases they will be offering securities that they do not have.

Market makers could be forced to add a premium to their offers. The repo market could also be affected, with more reliance on short-data repo funding, or 'exempt' repo.

Liquidity across secondary European bond and financing markets could reduce, as bid offer spreads widen dramatically. More stable, fixed-term markets may see a dramatic widening of spreads for more liquid securities including some sovereign and public bonds, and most corporate bonds.

The report estimated that the cost of mandatory buy-in regime for bonds markets would amount to about €1.4 billion per €1 trillion of annual volume.

For the repo market, the estimated annual cost to the market is about €3.14 billion.

There is a concern that this is a cost that will directly affect investors as well as issuers, who will have to pay a 'liquidity premium' for their primary debt issuance. Changes are likely to have cost implications for both public and private borrowers.

The report's author, Andy Hill, pointed out that these estimates do not take in to account the probable market contraction that would follow the introduction of a mandatory buy-in regime, which could be considered a greater cost in itself.

Either way, he maintained that a buy-in regime's ability to improve settlement efficiency remains unproven.

The report follows a similar study from the European Central Securities Depositories Association, which found that a mandatory buy-in regime would result in more than 1.8 million buy-ins per year, with a total transaction value of €2.5 trillion.

Hill's report concluded: "While initiatives to improve the efficiency and safety of Europe's settlement systems should be supported, every indication suggests that mandatory buy-ins is an ill-conceived and poorly constructed piece of financial markets regulation with no obvious benefits or likely positive outcomes."

Silverfinch aids Solvency II compliance

Silverfinch has been appointed by Franklin Templeton Investments to handle the "huge quantity" of look-through data requests the firm has said it expects to receive from its insurer clients as a result of Solvency II.

Silverfinch is a secure fund data utility that allows asset managers to respond to their insurance company investors, who will be

compelled to provide regulators with detailed information on invested assets from 1 January 2016, when Solvency II takes effect.

John Dowdall, managing director of Silverfinch, said: "The ticking of the Solvency II clock is growing ever louder."

"What's concerning is the number of those in the asset management industry still unsure as to how they will deal with the hundreds, potentially thousands, of requests for very granular look-through data from their insurer clients."

"Unless asset managers can provide the necessary information, in the right format and within regulatory deadlines, these insurers will be in great difficulty."

SS&C embraces non-traditional asset class service

SS&C Technologies is to launch an accounting and reporting service for insurance companies in support of non-traditional assets.

The move comes as the insurance industry has been searching for ways to enhance risk-adjusted return, given the continued challenge of a low interest rate environment.

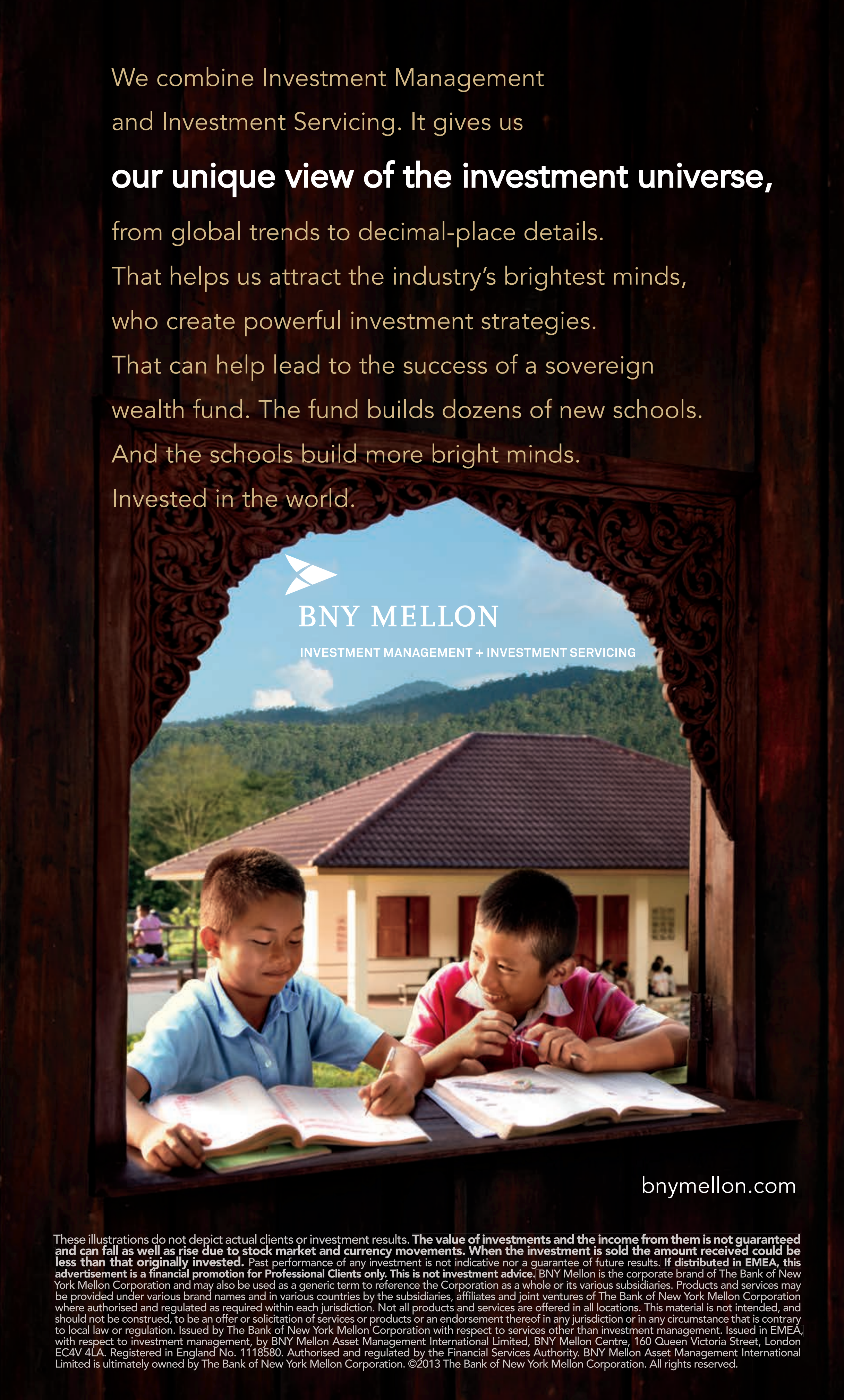
Managing non-traditional assets requires complex investment accounting and reporting often not supported by insurance companies' legacy systems.

"Traditionally accounting and reporting for Schedule BA assets and syndicated bank loans has been largely manual and managed on spreadsheets. Insurers reaching for yield are turning to these non-traditional asset classes as they typically provide higher returns in the long run," said Tim Reilly, senior vice president and general manager at SS&C Institutional and Investment Management.

"Outsourcing accounting and reporting to SS&C moves these assets off spreadsheets to a more controlled environment and rigorous process."

SS&C's service, available as part of a full service offering or on a component outsourcing basis, will enable insurers to automate accounting and reporting of these investments.

It also automates the accounting and reporting of non-traditional assets, which are integrated with general ledger and treasury applications.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SS&C's current services for syndicated bank loans include tracking the lifecycle of loans and secondary events, reconciliations between custodians, agent banks, and asset managers, balancing of Schedule Ds as well as valuation and reporting.

Capita completes automated Annex IV reports

Capita Asset Services's fund solutions business has completed its automated Annex IV reporting to both the Financial Conduct Authority and the Central Bank of Ireland, and has further extended its services to UCITS and alternative investment funds.

The service automatically populates and verifies all data fields required for Annex IV, without any additional information from managers.

It uses integrated data from Capita's fund accounting and shareholder record systems, overlaid with risk metrics from its Statpro Revolution system, and is designed to allow portfolio managers to concentrate on their primary lines of business.

Chris Addenbrooke of Capita Asset Services said: "This development is yet another example of Capita's commitment to providing portfolio managers with a fully integrated and comprehensive suite of independent ACD, management company, AIFM and full fund administration services."

Capita currently provides services to about 50 funds across Ireland and the UK.

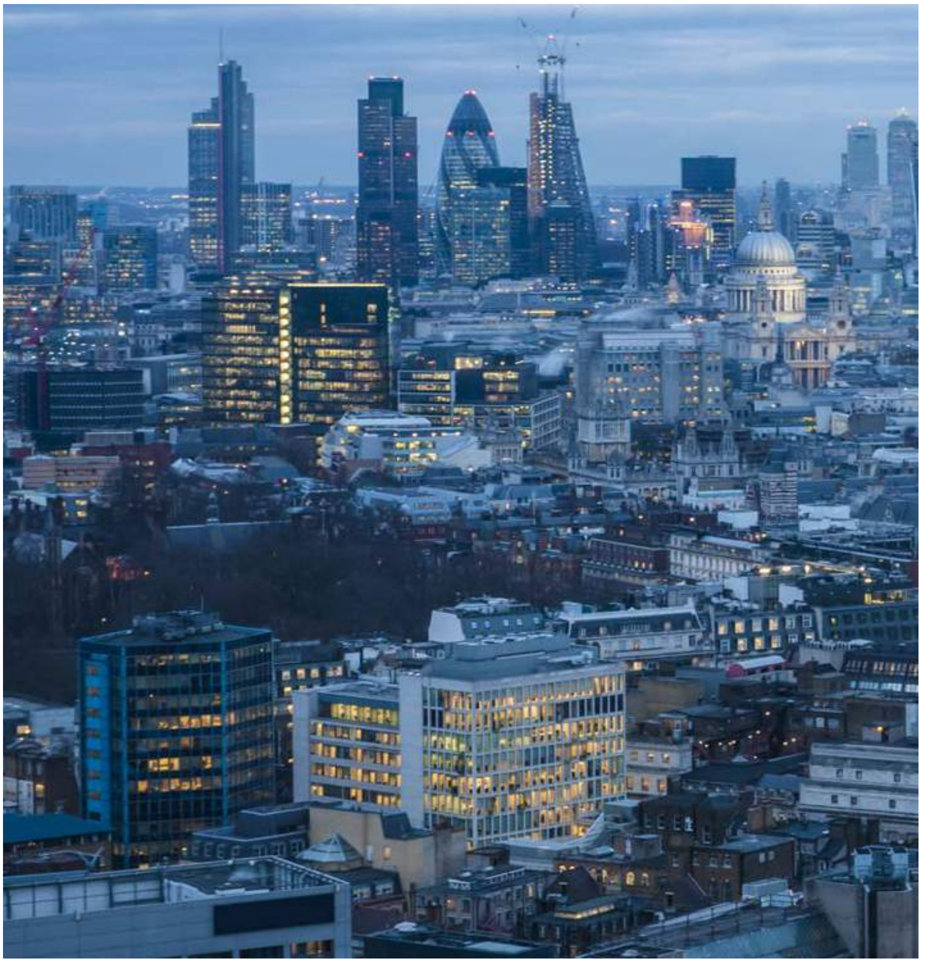
SIX launches London access point

SIX Swiss Exchange has launched a new access point in London, offering a more cost-effective connectivity option for its participants in the UK.

The additional connectivity option aims to offer more flexibility to meet client requirements more adequately. It should also strengthen solutions, and help participants to take advantage of outstanding liquidity across trading segments.

Existing participants will benefit from reduced connectivity costs, saving up to 25 percent. They will also have improved and sustained latency, with a 15 percent improvement compared to conventional connectivity implementations.

Chris Landis, head of operations at SIX Swiss Exchange, said: "We have consistently made a focus on customers over the last few years, which has allowed us to attract liquidity and strengthen our position as the independent investment network of choice."



"Today represents the next milestone in our continuous pursuit to increase our client centricity. With our new access points we are excited to offer our existing and potential new trading participants a cost-efficient option to connect to our growing market."

The London access point is available through the data centres of Equinix and Interxion, both long-standing partners of SIX Exchange.

Participants will be able to reduce complexity depending on their individual needs, and can benefit from economies of scale in either one or both locations.

Stuart Turnham of Equinix said: "Equinix is delighted to extend our relationship with SIX Swiss Exchange by implementing its access point service in our London Slough Data Centre campus."

He added: "Having the additional connectivity option in our London facility provides market participants within our London Slough campus to directly access multiple SIX Swiss Exchange trading segments and interconnect with over 200 execution venues, trading participants, market data vendors and technology service providers already deployed within our multi-asset class electronic trading ecosystem."

Adriaan Oosthoek, UK managing director of Interxion, said: "The launch of this access point adds great value to our community of over 200 financial service institutions by significantly reducing costs and latency for accessing the SIX Swiss Exchange trading platform from London."

The move follows a successful 2014 for SIX. It saw an increase in turnover of 14 percent, topping a trillion Swiss francs, while equities grew by 18.8 percent.

Deutsche Bank secures RQFII custody mandate

BEA Union Investment Management has chosen to use Deutsche Bank as custodian in mainland China for its renminbi qualified foreign institutional investor (RQFII) investments.

The custody services will be provided by Deutsche Bank's investor services business, which is part of its institutional cash and securities services unit.

BEA Union Investment is a joint venture, formed in 2007, between the Bank of East Asia of Hong Kong and Union Asset Management of Germany. It offers investment solutions for retail, institutional and pension fund clients.

Deutsche Bank has also received an inter-bank bond settlement agency licence from the People's Bank of China, meaning that it can provide end-to-end bond services for eligible financial institutions from around the world. This includes bond trading and settlement services.

Mark Law, co-head of investor services sales for Deutsche Bank's Asia Pacific institutional cash and securities services, said: "We are delighted to be working with BEA Union Investment as custodian bank in mainland China. Deutsche Bank's strong track record in servicing RQFII funds further demonstrates the Bank's commitment to the renminbi business."

Rex Lo, managing director at BEA Investment Management, added: "With the opportunities that the development of the securities market in mainland China presents, our aim is to increase our investments via the QFII and RQFII schemes. We are pleased to have chosen Deutsche Bank as custodian."

Lindedata to manage BMI workflow

The management company of Banque Internationale à Luxembourg (BIL) has chosen Lindedata's Front Office Platform to manage its complete front-to-back asset management workflow.

BIL Manage Invest (BMI) will implement the platform across its full suite of investment funds, with a single solution for portfolio management, trading, compliance and reporting.

The mandate intends to support BMI in long-term growth, building up a technology infrastructure to adapt and scale their business within the context of the regulatory environment.

The platform combines the Linedata Longview, Compliance, Navquest and Reporting modules.

Alexandre Dumont, CEO at BMI, said: "Our assets under management have grown significantly over the past year, causing us to shift our operating models from the in-house developments we were using to our front-to-back processing."

Alain Bastin, conducting officer and chief risk officer for BMI, added: "With the need to implement a robust and integrated solution, it was key to choose a provider that offers a true partnership and offers value-added services. Linedata delivers the solutions and services to support our growth for the long term."

Deb Biswas, executive vice president of sales and co-head of Linedata's front office asset management, said: "We are pleased to have BIL Manage Invest as our newest Luxembourg-based client on the Linedata Front Office Platform. Linedata allows firms like BMI to change their operating model, build greater efficiencies and focus on their core business."

"Our technology offers the front-to-back workflow tools necessary for them to meet their complete asset management and risk monitoring needs."

NRI expands I-Star solution

Nomura Research Institute (NRI) has added new functionalities for managing price in margin and derivatives trading to its I-Star securities back-office solution.

I-Star is designed for wholesale brokerage firms, and the new capabilities are designed to help users become fully compliant with new regulations, due to come in to effect on 16 March.

The new solution adds to I-Star's offerings for execution and entry to settlement processes, accounting, and regulatory reporting.

It also offers management solutions for multiple asset classes, equities, bonds, investment trusts, derivatives and foreign securities.

Operated from the NRI data centre and offered as a software-as-a-service solution, I-Star is intended to reduce the initial implementation and operating costs for clients.

NRI has been supporting average price for cash equities since the regulations were first introduced in 2003, with services designed to adapt with the financial regulations in Japan.

Yasuki Okai, senior managing director of the securities solution division of NRI, said: "Supporting ongoing regulatory changes is a priority for our teams, as clients need to be able to quickly address existing and new mandates without interruption to their daily operations."

He added: "Our I-Star solution is relied upon by many of today's leading financial institutions to support complex back-office operations. This new functionality will strengthen our relationships with clients and ensure that each remain compliant ahead of the 16 March 2015 regulatory change."

RMB a top-five currency, says SWIFT

January's SWIFT RMB Tracker covered the renminbi breaking into the top five world currencies used in global payments.

The focus in February is on the use of RMB as currency for documentary credit transactions.

Recent SWIFT data has shown that the RMB's activity share for documentary credits increased in value from 7.32 percent in January 2013 to 9.43 percent in January 2015.

This strengthens the RMB's position as the second most used currency for this purpose, ranking behind the US dollar, which remains the leading currency for documentary credits with a share of nearly 80 percent.

In January 2015, China, Singapore and Hong Kong remained the top countries using RMB as currency for documentary credits, exchanging nearly 95 percent of all RMB documentary credit transactions worldwide in value.

They were followed by Macau and Taiwan with 0.88 percent and 0.86 percent, respectively.

"Letters of credit and documentary collections are widely used instruments to finance trade flows across Asia," said André Casterman, global head of corporate and supply chain markets at SWIFT.

"China's position as one of the main exporting and importing countries in the world is supporting the increasing use of the Chinese currency. However, many of these RMB transactions are still mostly driven by China and Hong Kong, even though the RMB is nearly 10 percent of traditional trade finance flows globally in terms of value."

In January 2015, the RMB held its position as the fifth most used payments currency in the world with an activity share of 2.06 percent.

Overall, RMB payments decreased in value by 10.22 percent in January 2015, while the decrease for all payments currencies was at 5.7 percent, according to SWIFT.

Volante and FINSAPP in messaging partnership

Volante Technology has launched a new partnership with SAP financial services systems integrator FINSAPP to build business domain solutions based on inter-bank, intra-bank, and bank-to-corporate financial message flows.

FINSAPP will provide a team of financial services domain experts to build bespoke services for clients, while Volante offers off-the-shelf software and tools to improve productivity and cut development times for client projects.

The pair intends to create solutions to address functions of analysing and displaying data content that is embedded in message flows across the transaction lifecycle, allowing firms to reduce their costs and increase agility and response times.

FINSAPP has invested in training its domain experts in use of Volante's library of standardised message content products.

CEO of Volante Technologies, Vijay Oddiraju, said: "We are always on the lookout for partnerships with established professional services and system integrator firms to encourage use of Volante products."

"Volante software has over the years become one of the leading specialist solutions for reliable and efficient implementations around financial message and data integration, validation and processing within financial institutions."

"We are excited and confident that by partnering with FINSAPP we will be accelerating the industry's uptake of Volante software products as trusted and proven solutions."

Pawan Sharma, chief technology officer at FINSAPP, added: "We are delighted to be working with Volante."

"The FINSAPP-Volante partnership enables us to access one of the market's best kept secrets in terms of accumulated IP on financial messages and data and ensures we can deliver solutions to our clients that are quicker, better and deliver more ongoing flexibility."

Chapman's Eye on the market

A hamlet not a village

A conversation I had with a contact recently reminded me of the interconnected-ness of our business and just what a small world it is. The lady, who lives in Durban, South Africa, asked where we are going on holiday this year. I told her that we are planning to go skiing in France, in a place called Les Gets, where we stay in a little Scottish-owned hotel called the Christiania. As it turns out, she too goes skiing in France, and stays at the same hotel in the same resort. She asked: "You wouldn't happen to stay in room 32 would you?" Would you believe it, that's our favourite room.

In the asset servicing business, such coincidences are not rare. One quite regularly bumps into clients, contacts or colleagues at airports, restaurants or public areas around the world, and it is invariably a delight to do so. Such situations will only increase too, as a combination of a changing domestic jobs market and an increased ability to relocate oblige and allow people to look further afield in an effort to secure the income and quality of life they desire for their family.

However, as I have touched upon in this column before, while geographic relocation—the ability to physically move and settle into another city and culture—is becoming easier with a number of firms catering to this market, on the jobs front it is not as easy to secure a role as it once was, for a number of reasons.

From an employer's perspective, cost is a key prohibiting factor against moving people abroad. The ability to secure a full expat package as an employee is nowhere near as easy as it used to be. Additionally, certain countries are clamping down on the number of foreigners being allowed to secure roles that could be done by locals, with Singapore being one such example. This is partially driven by a desire to appease the local electorate, but also a practical result of the supply of quality, local staff increasing to a point where there is actually no need to import experience—Porter's Cluster Theory in practice.

Other elements would include, again understandably, 'face' reasons of wishing to hire local people who are already culturally nuanced by virtue of being natives, and also to reduce the chances of a non-locals not assimilating into the culture and not being able to adapt to the weather, food, housing and cost of living. This situation was brought home to me earlier in March when I was reviewing that week's interview list for roles we're working on in Asia. While it was just a snapshot, each and every name on the list was local to that geography and not a Westerner.

This is not to say that the door is closed to overseas relocation, far from it, just that in order to maximise the chances of securing a role one has to have, as Liam Neeson famously says in the Taken movie franchise, a 'very particular set of skills', and they need to be the ones in demand at that time. The best option remains to move with your existing firm if that is an option, however it will likely be on the basis of moving on a 'local' package, which requires careful thought as to whether or not that will provide the quality of life that is being sought.

As ever, I'd be happy to provide an overview on specific markets or guidance as to how to position discussions with employers, be they prospective or incumbent.

Paul Chapman, managing director, HornbyChapman Ltd

I, financial advisor

Talk of innovation dominated ITAS 2015, but should asset managers be worrying about the issues of today or the tech troubles of tomorrow?

STEPHANIE PALMER REPORTS

'Robo-advisors' are in the building, and asset managers will have to kick-start their innovation plans if they want to stay in business. This was the recurring theme at the International Transfer Agency Summit in Luxembourg in February.

With many-a Steve Jobs analogy and comparisons to car factories, transfer agency professionals grappled with the concept of tech-based players entering the market, introducing revolutionary ways of investing. Some thought the changes are still a way off, while others predicted a shake-up in the next two to three years. Others, while accepting that modernisation is on the horizon, felt that the industry is still reeling from regulatory changes, and should get to grips with this before worrying about a futuristic funds dystopia.

Keynote speaker and director of product innovation at International Financial Data Services, Phil Goffin, is a firm believer that the time to innovate is now, and that asset managers should be embracing new technology.

He claimed that, not only is technology becoming more powerful, but customers want more control over their own finances. Historically, the technology has been developed based on the needs of the industry, not those of the end user.

Goffin said: "People do everything from an engineering perspective. They think about the technology and build the product upwards, rather than thinking about the customer experience, and building a product around that experience."

"This industry has never operated like that, but it has to start, because the market is changing."

With the dawn of smartphones, tablets and the online lifestyle, people are not only shopping online, but also keeping an eye on their accounts and moving money around in a few swipes. At the same time, the financial industry as a whole is losing the trust of the 'average consumer'. People will become more inclined to trust 'robo-advisors', artificial intelligence and peer interactions than they are human financial advisors in the near future.

"It is a behavioural change, but we will adapt to that. A computer will be able to tell you much better what your needs are, based on your data points and behaviours, what you're doing, your requirements, your parameters, and it will suggest tailor-made products for you," said Goffin.

"It won't try and push a product on you that will make it more money, because it's a computer. It doesn't care about that."

According to Goffin, the market is shifting in the favour of the investors. Technology moves so quickly, especially in comparison to the funds and investment industry, and those firms that don't jump on board could be too late. By the time there is a noticeable change in the market, the damage will already be done.

"You cannot look to the past of our industry in terms of the timing patterns of change, because, historically, it has taken forever," he said. "Because technology is moving so fast, and computing power is accelerating, the rate of change is now exponential."

Another speaker who emphasised the power struggle between asset managers and investors was Mark Polson, founder of Edinburgh-based financial services consultancy The Lang Cat.

Polson's view was that, while industry players are catching on to the idea that big changes are going to become necessary, and accepting, in theory, that they should hand over some of the power over to investors, most managers are not actually making bold enough efforts to achieve this.

Polson referred to the powers of thermodynamics, suggesting that there is a finite amount of power available in any relationship. If managers wish to give investors a larger slice, they're going to have to relinquish some of their own.

Like Goffin, he identified the dangers of looking backwards in order to move forwards.

He said: "We shouldn't believe that the way things have been has anything to do with an end state. That is brutally hard to do."

He also said that the process has become over-complicated, suggesting that clients become so frustrated by the complexities of investment that they lose interest altogether.

"We do make things fundamentally complex. We seem to enjoy it. Clever people make things complicated; very clever people can make things simple. It is hard to get people interested in the mainstream funds industry when the mainstream funds industry is in the way."

According to Polson, funds must establish clearer communication channels in order to win back the trust of their end users. His solution, however, involved revealing a more human side to fund managers, with offline support and clear concern for investors' interests.

"The industry has outsourced caring about clients to intermediaries for too long."

He suggested that if managers reach out to 'hug a client' they should be warned that dissatisfied customers might not be particularly receptive, and firms should be ready for this. There is a chance that industry clients could be so disillusioned with the service they have received in the past, that they will be the ones resisting more communication now.

Polson takes the relationship between fund manager and investor back to its human elements of communication and mutual respect, while Goffin, although also focusing on the customer experience, believes in a more futuristic solution.

In line with his theory of clients putting trust in 'robo-investors', he showcased prototype platforms for personal fund management and 'micro-investing'. Aesthetically pleasing apps and websites will allow clients to invest a dollar or two at a time, sharing their progress and their successes, and keeping track of their funds with easily comprehensible charts.

According to Goffin, the UK is one of the only jurisdictions supporting this kind of development, with the Financial Conduct Authority setting up a new unit, Project Innovate, to help financial technology start-ups. These apps almost 'gamify' the investment process, using complex algorithms to scale down the market and make it accessible for the everyday user.

"A number of innovative start-ups will continue to enter into the financial services arena in the next two to three years. It's not an easy thing to do, set up a new entrepreneurial start-up in a highly regulated environment, but in the UK there is significant government support and investment into financial technology incubation," said Goffin.

"Savings and investments have traditionally been a complex journey for the consumer, but they need to be simple and reflective of individual needs. The user experience has to enable this simplicity and behavioural acceptance."

On the small scale, this is an attractive prospect, fusing the finance and technology industries for the benefit of consumers, expanding the funds world to small, individual investors, and even making it fun. It's when the tech giants get involved that the game really changes.

Goffin referenced Yu'e Bao, the online fund launched by Chinese ecommerce group Alibaba. The trade giant quickly became China's biggest money market fund in terms of assets under management, due to a high rate of interest, ease of use, and, according to Goffin, because of its existing customer base.

Now, he said, it's only a natural progression for the global tech giants such as Google, Apple, Amazon and eBay to follow suit in entering the savings and investment market.

"They're social businesses, they have a large customer base, and they're transaction and payment-centric. From a customer perspective, trust already exists. The customer has already provided personal data as well as transactional information, and had social interactions."

"They have the brand already, they have customer affinity, they just need to launch simple savings or investment products. And what does that do to our traditional industry of asset managers, intermediaries and distributors? It will mean evolve or die."

Despite Goffin's conviction of an imminent threat, in other presentations the focus remained on the present and the challenges in the market now, rather than those to come.

In a panel session on the data held on fund flows, an audience member summed up the mood of the room, saying: "What I'm worried about is how I comply, and how I will comply in the future. That is what I am worried about now."

The general consensus seems to be that the regulatory storm is far from over. In fact, in an on-the-spot poll, when the audience was asked to rate their readiness for the wave of regulatory requirements, 50 percent of attendees rated themselves as 50 to 90 percent ready. As many as 25 percent felt only 20 to 50 percent ready, and the other 25 percent felt at least 90 percent prepared.

Attendees were most comfortable with anti-money laundering and know-your-client rules, with 75 percent evaluating their readiness as 'good' and only 6 percent answering that they had 'still a number of issues'.

Only 8 percent, however, were confident in their readiness for the Markets in Financial Instruments Directive II and Regulation. While 17 percent said they were more or less prepared, 58 percent admitted to still having some issues, and 17 percent said their readiness was 'not so good'.

Generally, the majority of participants saw potential benefits in the regulations, however, when asked if they could derive benefit from the Foreign Account Tax Compliance Act (FATCA), 75 percent responded with a resounding 'no'. Only 8 percent said yes, and 17 percent were unsure, answering 'maybe'.

One pannellist said: "FATCA may have a benefit to society as a whole, maybe, but not to the industry. The whole world of corporate tax is changing, and the message is, just get on with it."

He also pointed out that without regulations, many of the attendees would be out of a job, and said: "We shouldn't be scared of regulation. We've got to live with it, so we've got to make the most of it."

Another panellist argued that reporting obligations come with added benefits, allowing firms to use data for their own rationalisation. Firms should see regulation as a reason to create new structures in their business, structures that are adaptable for future purpose.

The topic then returned to the needs of the end user, with a panellist saying that regulations are beneficial as a means for regaining the trust of the client.

The panellist said: "Politicians are dictating the industry because clients don't trust industry professionals. When the end user buys a product, they don't expect to be ripped off. They expect to have a long-term partnership, and that's what we have to give them. We have to get that trust back."

Ultimately, it all comes down to trust of clients, and the perception of the finance industry to those on the outside of it.

Whether the answer lies in robots and tech innovation, or in stripping back the layers of an over-complicated industry, the key to future success is getting the customers back on board.

As one speaker concluded: "The funds industry is much safer than many other parts of the industry, but we are all the financial industry, and so we suffer together." **AST**

Forwards, not backwards

With countries following in FATCA's footsteps, how much tax transparency regulation can asset managers take before things go topsy-turvy?

STEPHANIE PALMER REPORTS

With a general election on the horizon and a post-crisis economy recovering all too slowly, tax avoidance is an emotive topic in the UK.

Global chains, banking giants and even comedians have been accused on the front pages of newspapers, while politicians have pledged stricter rules and hurried new legislation. But, aside from appeasing the masses, is greater tax transparency a good thing for the UK, and for its asset management industry?

The major industry focus has been America's Foreign Account Transparency Compliance Act (FATCA), which dictates reporting of any financial account held by a US taxpayer. It puts the onus on offshore managers to disclose this information, meaning implementing new systems, structures and identifiers.

It seems clear that other tax authorities are going to follow suit, and the worry is that UK managers will end up reporting, what is essentially the same information, over and over again.

Mark Davies, general manager of legal entity data provider Avox, says: "There's going to be a lot of activity in this space, and it's starting to mirror what we saw with derivative reporting rules. There was a single global mandate agreed by the G20 which resulted in lots of different flavours of the same thing."

"Clearly, it would be great if there's consistency between different tax authorities and national requirements, but there's certainly an expectation that there will be some significant differences."

There is evidence of the global community pulling together to address this. The UK has already signed up to the Global Account Tax Compliance Act (GATCA), a FATCA-style system for sharing tax information.

GATCA doesn't provide a single system for tax reporting, but offers a connected network of various currencies and regions, simply allowing information sharing across tax authorities.

"Under GATCA, you're looking at a process that supports all the international requirements and removes the need for bilateral agreements and transfers," says Davies.

It's a simplified landscape, not just for the UK but on a global scale. According to Rob Bridson, financial services tax partner at PricewaterhouseCoopers (PwC), the asset management industry is focused on meeting all manner of tax transparency regulations, including country-by-country reporting, the Capital Requirements Directive IV and Common Reporting Standard agreements, as well as FATCA.

"These represent a significant shift in the information to be collected about the tax paid in various jurisdictions, as well as about individual investors and the reporting required to tax authorities around the world," he says.

Elizabeth Stone, a partner at PwC, adds to this, pointing out that actually, this is a new challenge for asset managers altogether.

"Historically, the majority of asset managers have refrained from advising their clients on tax matters, but they now have to consider their internal risk and compliance policies in this regard, allocate resource to this area and provide a greater level of support to client facing teams," she says.

Reporting all the correct information also incurs significant costs for asset managers, not least just to collate all the legal entity data for each requirement. This is where global legal entity identifiers (LEIs) come in to the equation, individual data standards to identify parties in any financial transaction.

The timing of global LEIs has been imperfect—they are pre-dated by FATCA, and have been developed alongside various other transparency regulations. But Davies stresses that in a climate of increased tax regulation, sticking to one LEI is paramount.

He says: "The more identifiers used, the greater the burden, and the greater the overhead for firms in maintaining accurate content. The hope and expectation has to be that global LEIs can be used for tax rules going forward."

A universal system would also allow firms to make better use of their information.

"Firms have already invested heavily to make sure they're getting the right information. If the codes can be leveraged, then the effort involved in sourcing the codes, managing the content and maintaining it, will be worth the investment."

According to Bridson, however, the main concern in the UK doesn't lie in costs or practicality, but in the irony that the transparency requirements are actually causing a breakdown in client communications.

He said: "In many cases investors are confused by the nature of the new information requests."

"Investors are asked technical questions about their status under the relevant regulations, in spite of the fact that they are not directly impacted by them."

Of course, these complications are not exclusive to the UK, asset managers all over the world are grappling with the same complexities. The question is, with a general election coming up in May, what is the UK government doing about it?

Stone explains that the UK actually has the lowest corporate tax rate of the G7 countries and a fairly generous interest deductibility regime, but the last few years have also seen the implementation of stricter tax transparency laws, such as the General Anti-Abuse Rule.

The UK has also signed up to the Organisation for Economic Co-Operation and Development base erosion and project shifting (BEPS) project, another move towards a cohesive international tax system.

Stone maintains, though, that the government should be mindful not to over-regulate and chase asset managers away from the UK.

"While business is supportive of the broad principles of the BEPS agenda, to reduce the opportunity for tax avoidance through exploitation of differences between tax regimes, it will be critical for the government to consult widely to ensure that the UK's 'open for business' agenda is not damaged, and that the proposals do not have a disproportionate impact on the asset management sector."

Bridson remains confident in the UK's position with regards to tax compliance, but other jurisdictions are catching up. He says: "In the longer term, it will be a fairly level playing field, but in the short term, compliance in the UK is ahead of many non-EU jurisdictions."

Meanwhile, Stone believes that even if it's coping now, the UK still has a way to go before it can be completely comfortable in the international tax landscape.

She says: "In a number of areas, BEPS is expected to significantly alter the international tax environment, so the holy grail of certainty, which business craves, is still a long way off." **AST**

Reform agenda

With the introduction of a new payments regulator, the Payments Council will cease to exist in its current form. Ahead of that, here is what the organisation wants to see become of the industry it has overseen since 2007

MARK DUGDALE REPORTS

Why did the UK need a dedicated regulator for payments?

In March 2013, the government published a consultation, Opening Up UK Payments, setting out its proposal to bring payment systems under formal economic regulation, and establish a new competition-focused, utility-style regulator for retail payment systems.

The UK is recognised globally for its payment systems and services and the Payment Systems Regulator (PSR) can play a positive role to help the industry maintain this.

Also, as a result of the new regulatory regime, a brand new representative body for the payments industry will be launched this summer and the Payments Council will cease to exist. The new representative body will provide a voice for the industry and help it identify and deliver collaborative change for the benefit of all those who use payments.

What does the Payments Council make of the regulator's responsibilities and powers? Is it everything the UK payments system needs?

The new regulator will be fully operational by 1 April and has three objectives: promoting competition; promoting innovation; and ensuring that payment systems operate in the interests of their users.

The Payments Council supports the introduction of the PSR as the new economic regulator for payments. We believe that, if it is well implemented, the PSR and the industry have the potential to develop the right strategy to deliver its objectives and help the industry deliver change at an increased pace.

We agree with the PSR's proposed approach to appoint an industry forum that will agree the strategic priorities for the long-term future of payment systems. We believe that the forum should be responsible for agreeing the high-level industry strategic objectives and outcomes, with the industry responsible for developing and executing a collaborative plan to design and deliver against these objectives. The setting up of issue-specific working groups that report into the forum will help with the delivery of this.

What did the Council make of the proposed regulatory framework for payments systems in the UK, particularly the inter-bank ones?

The Payments Council is now formally separate from the payment schemes and each of the schemes will now be regulated in their own right by the PSR.

The PSR has said that its work will be underpinned by evidence and any use of its powers will be proportionate. We agree with the strategy-setting approach via the forum, as this enables the industry to execute the actions to deliver the PSR objectives, and we agree that the PSR should take appropriate action should these not be achieved.

We note that this arrangement recognises the role of collaboration in payments and how this has enhanced competition in the interests of service users, for example, the recent development of the Faster Payments Service (FPS). The Current Account Switch Service is another more recent example of how the industry has worked together to create common standards and a consistent customer experience, to enable and empower consumers to move bank accounts with a minimum of administration, an agreed switch date and a guarantee to provide confidence.

It is vital that we ensure that collaboration of this nature can continue in the new regulatory environment being implemented by the PSR. Collaborative innovation spurs competition by providing a common platform built through shared investment on which incumbent and new market participants of all sizes can develop their own competitive customer propositions.

This collaborative innovation enables change to be achieved at a lower cost overall (a particular benefit for new entrants as well as for customers) and provides the ubiquity and reach in payments that is crucial for customers.

What are the Council's main concerns with the proposed framework and how would you like these concerns to be addressed?

One challenge for the PSR will be how it manages to fulfill its promise to be evidence-based and act as an economic and not a conduct regulator.

The Financial Conduct Authority (FCA) has significant influence over the PSR, whose board is constituted of FCA board members, and the two regulators share the same chair. The PSR needs to ensure that it is independent both of other regulators and of the government in its approach, notwithstanding the need to work closely with other authorities with overlapping remits and complementary powers.

The PSR's expectation for a 'no surprises' culture is understandable in order for it to regulate effectively and to minimise the potential need for regulatory intervention. We would still expect payment service providers to be able to launch competitive payment services without first having to disclose commercial information to the PSR, on the basis that as regulated firms they would undertake due diligence on the regulatory and legislative requirements imposed on them.

Operational launch is scheduled for 1 April—is this too soon or are payments participants ready to abide by the framework?

We believe that the timing is right. Following publication of the regulator's policy approach, the Payments Strategy Forum would develop and agree the strategic priorities for the long-term future of payment systems, letting the industry progress through coordination of a collaborative plan to design and deliver against these objectives by setting up issue-specific working groups.

We look forward to seeing the initial set of objectives and outcomes from the Payments Strategy Forum. Between now and then, the industry does not wish to lose momentum on the current work that is under way on a world-class payments system and so will continue to develop this into a plan that can be presented to the forum as soon as it is up and running. AST

Lights, camera, corporate action

Where does T2S stand on corporate actions processing? Frédéric Beck of BNP Paribas gives his take on the standards set so far

MARK DUGDALE REPORTS

How will corporate actions entitlements be treated under T2S?

Although Target-2Securities (T2S) is a settlement platform, it will have to deal with corporate actions as soon as an entitled transaction is pending (ie, matched but not settled) at or after the record date. In such cases, when the transaction finally settles, a mechanism has been created within T2S so that the entitled party receives the proceeds of the corporate action (cash and/or securities). These proceeds will be credited to the T2S account of the counterparty.

How will cross-border scenarios affect the servicing of corporate actions entitlements?

T2S is one of the European Commission's initiatives to suppress the barriers to cross-border trading in European (the so-called Giovanninni barriers).

A single settlement engine with common rules and market practices in Europe stands to make cross-border movements easier and cheaper, so that the activity will eventually rise significantly. As far as corporate actions are concerned, the most important initiative centred on eliminating the third Giovanninni barrier, related to corporate actions. The European Commission set up a group of experts, the corporate actions joint working group (CAJWG), including members of the main European professional organisations, to define the market standards for corporate actions processing and for general meetings.

A first report was published in 2008, with the outcome known as the 'standards', tackling the three main topics of (i) information management throughout the chain, (ii) key dates and their sequence, and (iii) operational processing. These would become a kind of

'10 commandments' for corporate actions processing, endorsed by all the markets in Europe, applicable for corporate actions on stock and corporate actions on flows.

When standards are implemented in Europe, there will be less room for misinterpretation on how to process an event, so an investor in Poland should get the same timing for announcements and for payments, and same key rules, whether they are involved in a corporate action on a French or a Slovenian security. This is a great step ahead, as it was often considered a hassle for investors in a foreign country. However, there will still be a need for expertise at the local level to understand and convey the right information on a corporate action. Most frequently, key information is contained in the narrative part of the announcement, which will still be a key differentiator for custodians.

So coming back to the question, processing of corporate actions will be made easier with the implementation of common rules and it is a real opportunity to increase the size of cross-border trading in Europe. However, as settlement is becoming more and more 'industrial', business expertise remains key on the corporate actions side, to make sure that correct and useful information flows from the issuer to the end-investor. To win this game, you must be able to comply with a standard way of processing events across Europe, combined with a strong local presence to understand the ever-growing complexity of each event. You need to be a global and a local player.

What must CSDs do to harmonise this aspect of asset servicing?

Central securities depositories (CSDs) were very much involved in the definition of the corporate actions standards. They have to comply with the standards because they have endorsed them, but also because most of them have decided to join T2S. Indeed, although it is a settlement platform, T2S must manage corporate actions on flows, and in that respect, it must comply with the standards. To protect the investors' entitlement (to ensure the success of T2S), market claims, transformations and buyer protection, the three streams of corporate actions on flows, must be managed in a harmonised way by all the different participants of T2S.

To reach that objective, in the mid 2000s, the European Commission set up another group of experts within T2S governance, the corporate actions sub group (CASG), which, starting from the work of the CAJWG, defined a set of standards to manage corporate actions on flows within T2S. The standards were issued and endorsed by all future T2S participants in 2009, and complying with these standards has now become a mandatory step for any institution that would like to join T2S.

However, two important elements must be understood. Firstly, CSDs are only a piece of the puzzle, providing the IT infrastructure at the local level, and a gateway to T2S. They must provide each market with the means to apply the standards, but they are not responsible for changing market practices or local rules. For instance, implementing a record date requires a law change in some markets. This is the reason why Market Implementation Groups (MIGs) has been implemented locally, with the responsibility to implement the standards in each nation.

Secondly, some markets decided not to join T2S, but they will implement the CAJWG standards anyway. The timeframe will just be different, as they do not see T2S as their milestone for change. This is the case for the UK where no one is certain when the recommended sequence of key dates will be implemented, in part because the UK isn't joining T2S for the foreseeable future, and also because this would necessitate a change to the regulation locally.

What did the T2S CASG formulate in terms of standards for corporate actions on flows?

The CASG standards were built after those of the CAJWG, to define the impacts of a corporate action on pending transactions in T2S. They were approved by the T2S Advisory Group, so that all market infrastructures or intermediaries now have to comply before they join T2S. The scope of the standards covers all securities transactions. Their objectives were to harmonise the processing so as to ensure efficient settlement, and to protect the rights of both counterparts. The CASG issued standards related to (i) market claims, resulting from a distribution of cash or securities, (ii) transformations, resulting from a reorganisation, and (iii) buyer protection, resulting from an elective event.

Market claims: the objective is that the proceeds of a distribution should reach the entitled party of a pending transaction. To achieve that goal, the CASG standards define who should issue a market claim and when, if and how a transaction should be included in the process or not, with cum/ex and opt out indicators. Standards also set up rules with regards to the intended settlement date of a transaction, the detection period, the independence of the claims to the original transaction, and the reporting in ISO format.

Transformation: the objective is that the original pending transaction continues its lifecycle even while being affected by a reorganisation. To reach that goal, the CASG standards define who should identify, cancel and replace the transaction and when, what dates should be used, if and how to opt out, how to manage multiple outturns, and what reporting should be used.

Buyer protection: the objective is to ensure that the buyer in a pending transaction, who has acquired the right to elect on a corporate action, actually receives the expected outturn, with a possibility to provide its choice to the seller. To reach that goal, the CASG standards define rules on who should be passing the information and when, what mechanism should be used, automated or otherwise, and how and when the transformation process should take place.

After the standards were defined and endorsed, the CASG mandate changed from defining to monitoring implementation and providing support to the industry on how these standards would apply in a T2S environment. The CASG provides a yearly implementation progress report to the T2S advisory group. BNP Paribas Securities Services is a member of the CAJWG and the CASG.

Where are CSDs with implementing these standards?

This must be looked at on a market-by-market case—there is no one blanket view on this. Some markets may not implement the recommended standards before their final migration to the T2S platform. However, these same markets might already be prepared to put them into practice. Some of these may have all the regulatory, legal and technology issues solved but are simply choosing to synchronise their adoption of the CAJWG standards with their T2S migration. Other countries may very well be almost entirely compliant to the CAJWG standards but are very far from implementing the remaining standards for legal or structural reasons.

We are confident, however, that solutions for these cases will be forthcoming in good time to ensure smooth processing on corporate actions on flows, as these issues are being considered at the highest levels of T2S governance.

Our view is that 'the glass is much more than half-full'. We are very close, in fact, to achieving our goals and it is good to note that the standards have been endorsed universally, which is impressive in itself. Of course, issues may yet arise as we progress with implementation, but as long as all the stakeholders are well aligned and focused on finding common solutions, then we should be able to overcome these.

The CAJWG standards should not be seen as a readymade road-map to European harmonisation, but as a sophisticated tool kit to help us enable smooth, low cost, low risk corporate actions processing. **AST**

Frédéric Beck
Head of custody operations
BNP Paribas Securities Services

Sayonara siloes

Single reconciliations solutions can help organisations to better control the back office and lead to greater efficiency, says SmartStream's Tim Martin

STEPHANIE PALMER REPORTS

Can you outline the main operational issues in the industry at the moment? Has reconciliation become a more prominent part of the industry?

From a back-office perspective, we are seeing a very simple driver: organisations need to do more for less. There is more to be done in the back office but they can't increase their head-counts or budgets. There is more to be reconciled because volumes are increasing, and at the same time, there are processes that need to be properly controlled that perhaps haven't been in the past.

Some of our clients have had up to 2,000 ad-hoc solutions, mainly performing very similar reconciliations, and now they need to standardise. They are also dealing with more volumes, which are not being controlled or managed properly.

With asset-based reconciliations, there are interest rate swaps, credit default swaps, and many more. There is more variety. More asset classes are coming to the forefront now, and they were once all the typical candidates for ad-hoc solutions.

There is also the control aspect. Management is much more focused on knowing what's going on and having better control over that. In real-time they need to have a better understanding of where they are in their processes, and what the issues are. Obviously, there have been headlines and stories of broken processes and fraudulent activity for large financial organisations, and I think managers are very aware of this. They want better visibility, better controls, and all for less than they are spending today.

Reconciliation is just something that had to be done. Firms were interested in trading, and the processing in the back office, in terms of settlement, was just an afterthought. The reconciliations also fitted into this category. Now firms are demanding more, they want to get processes automated and standardised, and they don't want a backlog of 18 months worth of work. It needs to be done and it needs to be done quickly.

What can firms do to reduce risk and increase efficiency? How important is automation?

You can compare the back office to a production line. You need everything to be streamlined so that things come out of the front office, hit the back office, and get processed smoothly as standard. But, at the same time, there are many models and variations of the product, so while we don't want multiple production lines we do require branches to address the differences.

It's about balancing flexibility and standardisation, and organisations are starting to build centres of excellence to achieve this. They're standardising wherever possible so that all reconciliations can follow a single path and deliver a consistent result without making it 100 percent rigid. Some teams will need more flexibility than others, and some will need a lot of flexibility with only one common result at the end of the process.

The bottom line is that without automation, nothing happens. If you have clients uploading 5,000 to 10,000 files a day, it won't work if processes aren't automated. It has to run on an exception basis, so that the vast majority, say 97 or 98 percent, gets processed without ever being touched by a human. You will still have a full audit trail of everything that has gone on, but you will only look closely at what has broken and needs to be investigated.

It is just about switching the perspective around to be more proactive. We shouldn't accept processes being not quite right, those issues should be solved before anyone notices them.

How much has regulation affected the approach to reconciliations, and what solutions are you offering?

One way of looking at it is that there is a need to increase the scope of reconciliation because regulations have introduced new requirements, for example, with the introduction of central counterparties and trade repositories into the process. The more parties involved in the process, the more reconciliation points there are. And we will see more regulations, which equals more parties and processes, which means more reconciliation to be done.

As well as external regulations, the internal drivers are that ad-hoc solutions aren't going to be accepted anymore. Spreadsheets, databases and one-off reconciliations solutions will be decommissioned in favour of a standard approach, and that changes the market for our clients.

At SmartStream, our focus has always been a single-enterprise solution for all reconciliation processes. With TLM Reconciliations Premium, we want a single solution that delivers the reconciliations for all our clients' needs, whether it's a small hedge fund manager wanting to operate in a hosted environment, or a tier-one organisation wanting a common utility across a global roll-out, we will use the same technology to deliver everything.

We also look at the business aspects. Reconciliations could just be boiled down to a simple bit of matching, but that's over-simplifying it, and that doesn't benefit clients. We need to understand the business context of what we are reconciling.

Our mission is to consolidate multiple reconciliations and bring as many aspects as possible under a single reconciliation solution. It isn't just a monolithic matching engine, we need to understand the regulations that apply to each client, and all these aspects are just as important as having this flexibile solution.

For onboarding, we are also looking at providing other tools to go with TLM Reconciliations Premium. We recently introduced SmartRecs into our tool set, and that enables organisations to onboard their reconciliations faster.

It's the same solution, but we're also providing tools to address IT issues and allowing a wider set of users to get their hands on the tools so they can start building and preparing the reconciliation.

Where do you see software going from here? Are single solutions the way to go?

The short answer is 'yes'. At the end of the day, I don't think anyone wants to go back to a siloed system where you have different departments running common processes across different asset class, for example when you would have a fixed-income back office and an equities back office, and so on.

You used to see separate reconciliations for each of these siloes, and I don't think that anyone wants to go back to having multiple reconciliation solutions. We believe in consolidation, and are looking to draw up the most intuitive single-solution model.

If you do reconcile using independent solutions, you will often find that the exception side of the process is dealt with by a common team. The last thing you want is for your investigators to have to log into three different solutions to access their work. If there is a single solution for all the reconciliations, then the back-office investigative team can use that too.

Going forward, I think we will see more organisations consolidating on to a single platform, keeping their focus on automation, and on the exception processes. I also hope that we will see a move towards helping organisations to deploy their reconciliations solutions quicker. AST

Tim Martin
Product manager for reconciliations
SmartStream

To the wire

Deadlines are in the nature of any business. Mike Megaw and Tom Kirkpatrick of SS&C GlobeOp reveal how they help fund mangers deal with theirs

STEPHANIE PALMER REPORTS

There have been reports that some fund managers weren't ready for the AIFMD Annex IV reporting deadline—what about your clients?

Mike Megaw: All of our clients that signed up with our service met the deadline—that is something we take a lot of pride in. We did take clients on board that realised—quite late—that the deadline was coming up and that they had to deal with it. We have been doing regulatory filings for our clients since 2012 and we know what is required to get it done. The ways in which regulators accept filings always varies, so there is a need to be aware of this and plan ahead, and then help our clients manage through them.

How much support did regulators give fund managers with AIFMD Annex IV reporting?

Megaw: In some cases, regulators provided very good support, but in other instances it was probably difficult on the regulator's end. I think the issue with this regulation is that it is very complex, there is a lot of data to be collected and aggregated, and I think some of the regulators struggled with getting their systems ready for this data. This is a new type of filing, after all, so there were some technical issues in different jurisdictions with regulators. In particular, some jurisdictions posted guidance close to the deadline or required formats were changed for managers to be able to file.

These are all issues that we as a provider have gone through before with regulators, so it wasn't something new to us. Regulators have had to adapt before and we have to adapt to changes they make.

How have they coped with all the data submitted?

Megaw: I think it is a little early to tell. Right now is when they are collecting the data, looking at it and analysing it, and they are also probably trying to find where things succeeded and where they were not as smooth. They are going to work those out, so it's a little early to tell where they are internally and what they are doing with the data collected.

With this type of regulation, right now is the digestive period for regulators to figure out what went well and what didn't go well, and how they can improve it for meeting future deadlines.

Specifically, how did SS&C make filing easier for clients?

Megaw: With any complex filing, it's important to have gone through the process before. In the lead up to the Annex IV deadline, there was always going to be issues because regulators were doing this for the first time, and when they're accepting large, complex amounts of data, something is inevitably going to go wrong.

We knew we had to have the proper experts and technology in place to be able to adapt when something did need changing. When systems went down the day before the filings were supposed to be made, it just meant that we had to adjust our workload so that when they came back online we could carry on. Adaptive technology is important too, because you have to know enough about technology to be able to change when the regulator's needs change. What we have developed really allowed us to be able to do that, so we met the deadline and got filings done.

Tom Kirkpatrick: I would characterise it as experience, planning and execution, and I think our experience comes from what we learnt through filing with US regulators. As soon as legislation is issued, we have to work out what is the same and what is different, how it will affect our technology, what coding is required, and what structures we need in place.

The execution comes in getting clients on board and helping them to understand what the requirements actually are, preparing the data and then completing the reports. Of course, then you have to deal with unexpected events.

What were some of the late challenges that you faced?

Megaw: The main late challenge was systems going offline. That really puts pressure on your workload. There are also, always, issues with the format in which the regulator wants reports. It's typically XML but the regulator will release a specification for the data types that it's willing to accept. If that changes close to the deadline, you have to be able to adapt what you are able to submit if it is going to be accepted and processed properly.

Those were the main issues with Annex IV, mainly because there were a lot of jurisdictions attempting to do the same thing but with variations in how it was implemented.

What's next now the deadline for Annex IV has passed?

Kirkpatrick: We always try to improve on our processes and technology. I think those are two things that we review, so we can be of even more help to our clients and always do a better job for them. We have a very scalable solution. As new regulations are published, guidance issued or technology needed, we have a very nimble infrastructure that can meet those deadlines and assist our clients in meeting their obligations. AST

Tom Kirkpatrick
European COO
SS&C GlobeOp

Mike Megaw
Global head of regulatory solutions
SS&C GlobeOp

e-GEM of a system

MKK's Yakup Ergincan suggests that the Turkish model is the best way forward for electronic general meeting management systems

General meeting (GM) processes are becoming more complicated and costly for shareholders with the increasing ease of cross-border investments. Manual workflows and non-straight-through processing (STP) that still dominate national practices, due to the long chain of intermediaries, create inefficiencies for issuers, intermediary institutions and investors. Information flow in GM processes does not generally provide sufficient time for all parties involved (ie, custodians, shareholders and their agents) to process and respond to information in a global setting. Management of all GM processes, from issuer notifications to voting through a centralised and secure electronic platform, can enable issuer companies and shareholders to work more efficiently, consistently and securely within short deadlines.

Global best practices and principles in the management of GM processes were set up around the world in order to remove difficulties that investors are facing in exercising managerial rights, particularly, when their securities are held cross-border. These standards depict features of an optimal GM management system that can be implemented by regulatory institutions, stock exchanges, central securities depositories (CSDs) and other service providers.

Firstly, in an ideal model, information related to GMs should flow between issuers and beneficial owners through electronic means and in globally accepted message standards. Secondly, the practice of share blockage for shareholder identification purposes should be replaced with electronic methods. The GM management system should also serve communication between related parties within operational deadlines. Thirdly, electronic voting should be enabled as it is a timely and cost-effective method.

Furthermore, an ideal GM management system should enable monitoring of company management in an efficient way, such as by getting in direct communication with company representatives, at least during meetings.

Lastly, an ideal model should provide fast and easy access to meeting results following conclusion of GMs. Shareholders should be able to receive all relevant information that flows from companies regarding meetings. The model should establish better communication between companies and investors to ensure more informed exercising of managerial rights,which will lead to improved corporate governance and investor protection.

CSDs that maintain securities accounts at the top-tier level of the holding chain are ideal institutions for operating central electronic GM platforms. In particular, CSDs that operate direct account holding models that allow easy identification of, and access to, beneficial owners can remove inefficiencies in the exercise of shareholder rights by establishing these platforms.

The central electronic GM platform in Turkey, Electronic General Meeting System, or e-GEM, which was launched by MKK, the CSD of Turkey, in October 2012 following the mandates of the new Turkish Commercial Law and Capital Markets Law, presents an ideal solution to the growing inefficiencies and costs in all GM processes. The system, for the first time in the world, enables issuers, beneficial owners and proxy holders to manage the whole GM process for meetings that are broadcasted live on the same platform.

Through e-GEM, shareholders can register for and participate in GMs from anywhere with an internet connection, by using the e-signature framework and assigning proxies without any paper documents. Shareholders and assigned proxies are recorded in the list of attendees, which is available on the system one day before the meeting (MD-1) without the need to resort to share blockage.

e-GEM eliminates costly pre-meeting procedures for issuer companies by giving them the ability to upload meeting documents to the system. Shareholders and intermediary institutions are automatically notified on a real-time basis via SMS, email and ISO formatted messages through SWIFT upon the upload of documents and information by companies to the system, and they have the ability to view and download these documents. Shareholders can remotely cast their votes on agenda items that can be accessed on the system before and during meetings.

Integration of MKK's Central Dematerialized System with the Public Disclosure Platform (PDP), paved the way for establishing a GM process management model in Turkey. The integration of two systems and the transfer of PDP management to MKK facilitated implementing STP, starting with the distribution of GM-related information from the issuer company all the way to beneficial owner shareholders using international message formats.

e-GEM delivered new capabilities in meeting day procedures by providing sophisticated solutions. The platform establishes a single point of access for investors, enabling them to attend several GMs on the same day. Shareholders and proxy holders can attend concurrent meetings simultaneously conducted on the same day through e-GEM. Meetings are broadcast live, and shareholders can make comments and suggestions, ask questions and cast their votes. Voting results can be monitored on the system upon the finalisation of the voting process. Meeting documents, audio-visual records and voting results are archived on the platform for future access.

Improvements in GM processes that are brought about by e-GEM significantly increased GM participation, both for domestic and foreign shareholders in Turkey. Although the new regulations mandated convening of electronic GMs only for listed companies, following e-GEM's launch in October 2012, the first GM that took place on the platform was of an unlisted company.

Since the launch of the system in October 2012, 346 companies (including non-listed companies such as KPMG and Gittigidiyor.com, an eBay subsidiary) conducted their general meetings through e-GEM, with the total number of electronic GMs reaching 749 in two years of the system's operation. Total GM participation was 20,701, which corresponds to a 127 percent increase in 2014 over 2011. The number of GM participants has increased 146 percent since e-GEM became operational.

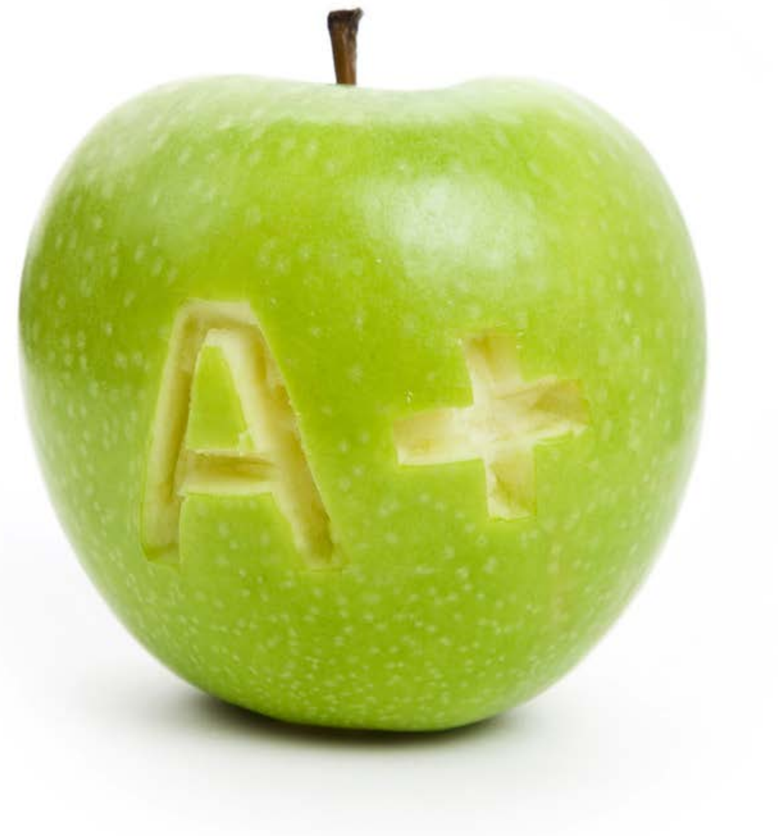
An important factor behind this increase is the significant rise in foreign shareholder participation since the launch of e-GEM. Indeed, the number of foreign shareholder participants to annual GMs in Turkey has gone up by 490 percent 2011 and 2014. In addition, the share ratio of foreign shareholders increased from 33 percent in 2011 to 84 percent in 2014. Some 98 percent of foreign shareholders opted for e-GEM as a way of virtually attending meetings, while 90 percent of domestic shareholders chose to be physically present at the meetings in the last year.

Participation by institutional investors, who are mostly comprised of foreign investors, went up by 342 percent, whereas individual participations dropped 45 percent between 2011 and 2014. The share ratio of institutional investors in GMs increased from 46 percent to 87 percent in the same period. Furthermore, the share ratio of institutional investors attending GMs through e-GEM was 94 percent last year.

The new hybrid model that allows both physical and electronic attendance to GMs in Turkey harmonised local market practices in GM management with global standards and best practices. Improvements in GM operations such as the implementation of STP in shareholder notification through communication channels including SMS, email and SWIFT messages, removal of share blockage for shareholder identification purposes, efficiency in proxy operations, the introduction of new GM convocation deadlines (MD-21), and the introduction of record dates (MD-1) raised Turkish market practice to the level of standards set by international bodies of experts.

PDP 4.0 project, which was initiated by MKK following the transfer of PDP's management from Borsa Istanbul to MKK, will introduce new improvements in GM operations such as direct electronic voting by foreign beneficial owners through SWIFT, using ISO-compliant message formats (ISO15022 and 20022). Moreover, PDP 4.0 will enable the use of XBRL (Extensible Business Reporting Language) in the distribution of corporate data and implement a fully bilingual (Turkish and English) platform. The planned upgrades that will be finalised in 2016 will generate further significant efficiencies in GM-related processes in Turkey. **AST**

Yakup Ergincan
CEO and board member
MKK



Best in the class

The one-dimensional fund administrator is a thing of the past

There was a time when the fund administration sector was a relatively straightforward, one-dimensional affair. Third-party administrators had one basic purpose: to take all of the detail and processes involved in the back office from the client's plate, and save the fund manager a dull job. In the early days this was enough of a novelty to be a selling point in itself, and fund administrators could compete on the basis of how accurately and cheaply they could provide this service.

Those days, however, are long gone. This is in part due to the vastly changed—and far more demanding—environment their clients now inhabit. A new wave of regulation has significantly increased the volume of data that funds need to capture and report. Risk management is now paramount in areas where it simply did not exist before. Investors and regulators alike are becoming more demanding, wanting greater engagement with, and information about, their investments. And the ever-fiercer competition for capital and returns is driving a greater demand for analytics, especially from active managers.

All of this has, in turn, had a major impact on the fund administration landscape. Over time, some of these firms have effectively become central hubs for a vast array of important data from multiple sources. The expanding and ever-more-complex workload has also necessitated significant investment in staff with higher intellectual capital. Fund administrators are no longer the clerical administrators of old.

These two factors have put the best fund administrators in a perfect position to expand their offering to help clients deal with some of the new priorities and challenges.

The result has been the rise of the multi-dimensional fund administrator, as firms have expanded sideways into new, complementary service lines. These include risk reporting, compliance, performance analytics, investor communications, legal service—almost any area where the fund administrator is able to produce value from the vast troves of data and expertise it is sitting on. There are distinct advantages to the end client in having all of these functions sitting under one roof: the thinking is more joined up, it allows for cost savings, and of course, it's easier to manage one provider than a dozen.

To a large extent, this shift is a commercial necessity. Increased complexity, combined with the need for highly skilled staff, high levels of automation and expensive technology, has led to a ballooning of costs. Fund administrators are being forced to move up the value chain in order to protect margins. The business model of the old one-dimensional fund administrator is likely facing extinction.

The mere provision of administrative services is no longer a selling point—it's a bare minimum. Nowadays, funds aren't just looking for a provider that can take a problem off their plate, they are looking for a trusted partner that can actively add value to their core proposition. **AST**

Andre le Roux
Head of business development for Africa
Maitland

Industry Events

FundForum Asia 2015

Date: 14-16 April 2015
Location: Hong Kong

You're invited to join over 550 top asset managers, fund selectors and industry experts attending FundForum Asia 2015, Asia's largest gathering for the Asset & Wealth Management community. You'll participate in executive-level conversation with 140+ top speakers and receive over 40 hours of exclusive content & best-practice strategies for navigating the Global Investment Management landscape.

NeMa 2015 - Network Management

Date: 9-11 June 2015
Location: Athens

NeMa is the premier network management event for the securities industry.

To register or if you have any questions about NeMa, please contact ICBI:
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Industry appointments

Magnus Bocker, CEO of the Singapore Stock Exchange, will not be extending his appointment beyond his current contract, which ends on 30 June.

Bocker has been CEO of the exchange since 1 December 2009. He stated: “I am proud of our accomplishments in expanding SGX both in Singapore and internationally, especially for Asian equity index derivatives.”

The board is moving forward with its CEO succession plan and is assessing internal and external candidates.

It has hired the global executive search and leadership advisory firm Spencer Stuart to help with the process.

Chew Choon Seng, chairman of the Singapore Stock Exchange, commented: “The board understands Bocker’s considerations and respects his decision.”

Carey Olsen has launched a litigation and insolvency practice in the British Virgin Islands (BVI).

The law firm established its BVI office in 2013 with an initial focus on commercial transactions, investment funds and offshore structures.

The firm’s new litigation practice will be under the leadership of **Ben Mays**, who joins as partner and head of BVI litigation.

Mays has commercial litigation experience with a particular focus on complex contentious and non-contentious cross-border insolvency.

Volante Technologies has recruited **Nadish Lad** as head of payments products and **Peter Mckenna** as global marketing director.

The firm has also hired additional development and testing staff and opened two new offices in Jersey City and Hyderabad to accommodate team expansions.

Lad joins from Ernst & Young were he served as senior manager in the financial services advisory practice. In his new role, he will be responsible for the firm’s payments products.

McKenna has been appointed to the firm’s global marketing strategy and operations.

He joins from DST Global Solutions where he was responsible for establishing and implementing the firm’s global marketing strategy and operations for its investment management systems division.

BNP Paribas Securities Services has appointed **Andrea Cattaneo** as head of operations in Brazil.

Cattaneo joined the bank in 2004, serving as global head of solutions for asset managers in 2011.

Alvaro Camuñas, head of Spain and Latin America at BNP Paribas, said: “We are seeing strong demand both to help foreign investors develop their business in Brazil and to help local investors reach out to international markets by using our worldwide networks and expertise.”

“Cattaneo has played an important role in the development of our global offering for asset managers and I am delighted to see him take the lead of our Brazil office.”

Broadridge has hired **Erik DiGiacomo** to lead the expansion of its professional services practice.

The expansion is within the firm’s global technology and operations business unit to help financial institutions navigate regulatory and operational challenges and execute large business transformation initiatives.

DiGiacomo joins the firm with experience in technology, operations and consulting within financial services, including 10 years at J.P. Morgan Chase, where he held senior operations roles.

DiGiacomo will report to Arun Sharma, COO of Broadridge’s global technology and operations business unit.

In his new role, DiGiacomo will expand the operations and technology professional services practice, leveraging a growing team and the company’s decades of insight and experience to deliver core solutions to financial institutions globally. **AST**

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