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Alter Domus sells Asian hedge fund admin business to FundBPO

FundBPO has acquired Alter Domus's hedge fund administration business in Hong Kong and Singapore for an initial $1 million.

The acquisition is part of FundBPO's growth strategy, expanding its operational footprint, particularly in the Asia Pacific region.

It also supports the financial forecast laid out by FundBPO's parent company, MainstreamBPO, which was announced in its initial public offering (IPO) earlier this year.

The initial purchase price was funded with proceeds from the IPO. A final figure is yet to be determined, and will be based on the number of acquired clients that choose to remain with FundBPO.

The sale marks Alter Domus's exit from the hedge fund administration market in Asia, as it refocuses on its core business.

Its hedge fund administration business will be integrated with FundBPO's existing Hong Kong and Singapore operations—both firms are located in the same Hong Kong building, and use the same technology platform.

Client contracts have been transferred, including transfer agency, net asset value calculations, fund accounting and middle-office services for the relevant hedge funds. Alter Domus hedge fund administration staff members have also transferred to FundBPO.

Martin Smith, CEO of FundBPO, said: "We have conducted our trademark 'lift and shift' of Alter Domus's hedge fund operations, whereby the existing fund administration staff and technology have been redeployed into our business, providing service continuity to clients and their investors."

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Irish regulator tentatively supportive of CMU

A capital markets union (CMU) could be beneficial to the European economy, but successful implementation will require significant commitment from EU member states, according to the Central Bank of Ireland.

Responding to the European Commission's green paper on the CMU, the central bank said it generally supports the implementation of a union that will improve the safety and efficiency of Europe's capital markets, provided that it addresses these aims in equal measure.

If this is achieved, the CMU could "provide sustainable and meaningful channels of finance to the European economy", said the central bank.

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Distribution ledger consortium gains traction

UniCredit, Mizuho and Nordea have signed up to R3's distributed ledger project, bringing the total number of participating banks to 25.

Financial innovation firm R3 created the project in September in order to form working groups of institutions with a focus on developing commercial applications for distributed ledgers in financial services.

The project is also intended to establish more consistent standards and protocols in the new technology, with a hope that this will lead to broader adoption and an effective network.

Participating banks bring expertise in retail payments, corporate banking, wealth and asset management, and custody services, and include the likes of HSBC, Deutsche Bank, J.P. Morgan and State Street.

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Alter Domus sells Asian hedge fund admin business

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Alter Domus CEO Laurent Vanderweyen added: “For some time Alter Domus searched for a suitable expert hedge fund administrator to take over and rise to the challenge of meeting the current and future needs of our existing hedge fund clients.”

“We are confident that we have succeeded in finding the right candidate in FundBPO. All due diligence was completed with no concerns and the transition of client data and staff to FundBPO has run smoothly.”

The transaction is expected to be finalised by the end of 2015, and is predicted to generate about $1 million in revenue for MainstreamBPO annually.

Irish regulator tentatively supportive of CMU

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A CMU could lead to better intermediation between lenders and borrowers, as national markets will be pooled at a common level. For corporates and small- and medium-sized enterprises (SMEs), this could mean better access to affordable funding options, while lenders could channel funds through more reliable products.

It could also provide a solution to the fragmentation in Europe’s financial economy, however, the central bank suggested that, in the long term, this would not be possible without addressing the existing “fault-lines” between Europe’s capital markets.

The response suggested that many of the securities settlement issues between European jurisdictions are rooted in national restrictions and biases, and that a lack of depth in the markets has led to too much reliance on bank funding, and an increase in the cost of non-bank finance.

This will be a significant challenge for the industry to overcome, and will require significant commitments from all market participants, said the Irish central bank.

Other issues highlighted were the lack of a strategy for tracking the safety and success of CMU developments, and the data collected with regards to this. The response suggested that there is currently an insufficient data infrastructure for this.

It also argued that the European Commission should be wary of relying too heavily on non-bank channels of finance, as this could put the economy at greater risk if one or more should fail, and pointed out that many of these channels fall outside of current regulation.

Finally, the central bank suggested that a more harmonised regime for alternative investment funds would be beneficial to a successful CMU, and that a regulatory framework for this would help to provide funding for the European economy, support financial stability and help to safeguard investors.

It urged regulatory convergence on this, pointing out that this would make it easier for fund managers to market on a cross-border basis.

Although the Irish central bank argued that these issues should be addressed, it acknowledged that a safe and effective CMU would be beneficial for the European economy as a whole, and committed to “working constructively” to help achieve a union.

Distribution ledger consortium gains traction

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By signing the initiative, the banks agree to make their internal resources available for designing and developing a financial-grade distribution ledger system that incorporates various open-source technologies and standards.

CEO of R3 David Rutter said: “We have been inundated with interest in this project from banks across the world since launching with an initial nine institutions.”

He added: “An emphasis on working with the market has always been a key differentiator of our project from day one, and so we are delighted to broaden the network once again and grow the resources we have to research and develop this exciting technology.”

Erik Zingmark, deputy head of Nordea’s transaction products, said: “We always strive to explore new technology to make banking easier and more efficient for our customers. The distributed ledger technology has the potential to reshape the banking industry, and that is why this partnership fits very well with our ambitions for the future.”

Deputy general manager of UniCredit Paolo Fiorentino added: “Participation in the workgroup will have a strategic relevance for UniCredit as it will ensure a long-term vision and competitive advantage on innovative methodologies and technologies, which are opening a new era in the financial and capital markets.”

“This will allow UniCredit to play a leading role in the upcoming revolution of the financial products and payment services, as well as in the overall banking industry proposition.”

Toshitsugu Okabe, deputy president and executive officer in charge of the Incubation project team at Mizuho Financial Group, said: “Distributed ledger technologies might become the next disruptive technology that has the potential to innovate everyday banking activities.”

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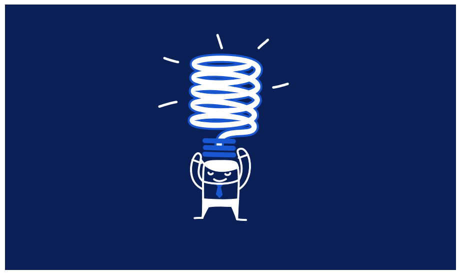

Linedata: the time is now for CRS

Investment managers and fund administrators should act now in order to be prepared for the Organisation for Economic Co-operation and Development (OECD) Common Reporting Standard (CRS) ahead of the start of the first reporting period, according to Justin Hayes, product manager at Linedata.

The CRS, sometimes called a global version of the Foreign Account Tax Compliance Act (FATCA), will require institutions in early adopting countries such as the UK, Ireland, France and Germany to adopt the new rules from 1 January 2016.

Hayes said: “Early preparation will be critical especially for smaller and mid-sized firms, who will feel the most pressure on resources and costs. They will need to be in a position to hit the ground running in January or face the onerous task of retrospectively reporting on unprecedented volumes of investor information when crunch time hits at the end of next year."

A review of the first round of FATCA reporting saw missing documentation and incorrect categorisation emerge as issues.

According to Hayes, this is only going to become more troublesome as reporting requirements are introduced on a global scale.

There may also be inconsistency between jurisdictions, and non-compliance could have both financial and reputational implications.

Hayes said: "Penalties for non-compliance will be set by the individual member states, and as well as the reputational damage firms could also face financial fines or even jail time if fraud is suspected."

"Financial institutions will need to have solid and robust procedures in place to make sure they comply with CRS or face the consequences."

He added: "There is no time for procrastination and institutions should be assessing their existing processes and looking at implementing due diligence procedures before the end of 2015."

FX in need of tighter regulation, says LMAX Exchange

New regulation is required for the foreign exchange market to preserve liquidity, while modern technology should be adopted for more accurate analysis and transparency, and international regulators should collaborate for consistency and efficiency, according to LMAX Exchange.

The exchange, a multilateral trading facility for foreign exchange (FX), surveyed 450 industry professionals, and found that 80 percent of respondents were concerned about a general lack of transparency in the market.

When asked about 'last look' pricing, or the opportunity for liquidity providers to reject an order at the last minute, even if the order matches the quoted price, almost three quarters of respondents, 73 percent, said that it was their preference to trade without last look prices.

Although 22 percent of respondents were not aware of the practice, of those that were, 85 percent identified this as the market practice most open to abuse.

When asked whether last look pricing should be abolished, 45 percent of respondents from banks agreed that it should be, compared with 85 percent of respondents from propriety trading firms.

LMAX Exchange operates an open order book without last look liquidity. It suggests that the take-up on this shows that liquidity providers are comfortable pricing without this facility, and that last look on multi-dealer platforms are out of date.

The report outlined three recommendations, suggesting firstly that changes to FX regulation should be focused on preserving liquidity and maintaining a healthy FX environment.

Technology could be utilised to ensure accurate measurement of market analytics, leading to greater transparency without affecting liquidity. And finally, it said that international regulators should collaborate to ensure consistency of reforms, and to maintain trust and efficiency in the market.

David Mercer, CEO of LMAX Exchange, said: "Liquidity is the beating heart of the global FX market, the world's largest asset class."

"Greater demand for transparency and the need to increase trust are huge challenges for the future of our industry. There has been a lot of talk about structural change to address these challenges in the past two years but I think as a market we need to get on with it."

"While in the short term opaque trading practices can deliver greater profitability for market participants, in the long term the erosion of trust will permanently damage international capital flows—considering FX is the foundation upon which international trade is built, this could be catastrophic globally."

GSX to expand ETI offering from December

Gibraltar Stock Exchange (GSX) will start to list exchange-traded instruments (ETIs) from December, and is in the process of positioning itself as an entry point to the European market for global fund managers, according to a roundtable of local professionals.

Having announced its first official listing in January 2015, the exchange also has plans to issue new codes in 2016, and expects to move in to equities and a new trading platform in 2017.

The new ETIs will be based on special purpose vehicles, which fall under European Central Bank regulation rather than the Alternative Investment Fund Managers Directive (AIFMD). This is intended to provide fast-to-market, more flexible, and more economic solutions for asset managers.

ETIs listed on the GSX will qualify for EU passporting rights, giving small- and medium-sized managers a structural footprint in to the EU at a lower cost than compliance with AIFMD.

Nick Cowan, managing director of GSX, said: "With AIFMD in the background, we found a natural place for GSX to start with technical listing open-ended funds, playing to our strengths as a smaller jurisdiction. This means that we should be able to be fast to market, we should be able to be economic, providing an attractive home for the smaller fund manager."

"I see this as Gibraltar's niche. The larger jurisdictions' small clients are in fact our big clients, and I think we as a jurisdiction offer a level of care and attention that perhaps you may not get at other jurisdictions for smaller sized funds."

Joey Garcia, a partner and head of the funds and financial services practice at Gibraltar law firm ISOLAS, and chairman of the Gibraltar Funds and Investments Association, said: "When you look at the interplay between the global and European markets, I think it's fair to say that international markets need access to Europe, and that is essentially one of our main selling points and one that distinguishes us from many other financial services jurisdictions."

Gibraltar has been marketing itself as an entry-point to the EU for jurisdictions such as Hong Kong, Singapore and the US, as well as for closer non-EU countries such as Switzerland.

Fund managers domiciled in other global financial centres running, for example, an open-ended alternative fund in Cayman can list their fund on GSX, offering an input to the European market without the requirement to come onshore.

Garcia said: "For a working fund distribution solution in Europe, and for the long term, people need services and solutions that cater for funds and businesses of various sizes. If you are a billion-dollar manager doing well, situated outside of the EU, establishing an EU presence, then EU regulation of an AIFM compliant manager is not a major concern."

"However, for the smaller managers, the firms where innovation really takes place, they are often struggling to raise assets and AIFMD has presented a real issue."

Cowan commented: "Non-EU managers, particularly in Asia, see AIFMD as a problem. AIFMD presents a challenge, which is leading to managers potentially excluding Europe from their marketing plan."

He added: "GSX can play a pivotal role in creating EU visibility that may in time provide the manager with the evidence needed to come onshore."

European split in asset managers' approach to Solvency II

Asset managers' approaches to Solvency II and their readiness for the 1 January 2016 implementation date differ depending on geographies, according to a whitepaper from Silverfinch.

According to the whitepaper, large countries with a more advanced financial infrastructure are generally better prepared for the directive, but the focus of attention differs between them.

German fund managers, for example, appear to be more confident in their ability to meet the Pillar I requirements, which focus on the measurement of solvency for insurance companies, due to the similarities with the country's own regulations.

French firms, however, are more focused on the Pillar III requirements, relating to the reporting and dissemination of information on an insurer's financial health.

The paper suggested that firms across the continent have raised concerns about the delays in finalising some of the details of the requirements, a point that has caused particular complications in each country.

In the Italian market, the report said, there is concern regarding the difference in resources available between the few large insurers and the many smaller companies.

John Dowdall, managing director of Silverfinch, said: "In spite of the deadline for new regulation looming, the fact remains there is much work to do. Across Europe, the majority of asset managers are aware of the benefits of helping their insurance clients with

Solvency II, but how to respond to the new regulations has clearly split the continent."

"With different countries focusing on distinct pillars of the regulation and selecting various models for their data reporting, only time will tell who is best prepared. The one thing which is certain is that the financial regulation of the EU is in for a shake-up."

Celent predicts remodelling of post-trade landscape

Regulatory upheaval and new market initiatives are set to "fundamentally alter" the post-trade industry in Europe, according to a Celent report.

The report, which was commissioned by Nasdaq, identified trends and challenges affecting central counterparties (CCPs) and central securities depositories (CSDs) globally, and predicted significant changes in the near future.

According to the report, post-crisis initiatives focusing on managing systemic risk have affected post-trade industry players, while more recent European authority initiatives such as Target2-Securities (T2S), the CSD Regulation and interoperability are likely to lead to more competition in the space.

The report also predicted that other markets around the world will introduce more competition by allowing more international players to enter domestic markets.

Arin Ray, an analyst at Celent and co-author of the report, said: "At times there is a lack of clarity and coordination among regulators in different jurisdictions."

"This results in a lack of synchronisation and standardisation of some of the key regulations, making the task of responding to these changes more difficult."

CSDs are starting to develop new services and offerings, the report said, particularly in Europe, where failing to do so in the T2S environment could put them at risk.

At the same time, CCPs are evolving to support new asset classes and starting to enter new markets, particularly launching collateral management and optimisation services, the report suggested.

This will drive more investment in to technology, but also an increase in the adoption of third-party products.

Co-author Anshuman Jaswal, also a Celent analyst, added: "The relevance of third party systems is rising as they allow CCPs and CSDs to meet their IT requirements more quickly and cheaply—particularly for tier two and three players who lack the wherewithal to build in-house capabilities."

Lars Ottersgård, executive vice president of market technology at Nasdaq, said: "In some cases, post-trade entities play a different and perhaps more important role in the global financial ecosystem—and with this comes great responsibility."

"In this new world, everyone needs to be far more efficient with their use of capital, and CCPs and CSDs will be critical in helping the wider system achieve this."

"This is why increased competition is welcome and, indeed, vital, as it is driving the required innovation and investment in technology."

The report was based on analysis of 12 key markets throughout Europe, Asia and South America, and featured contributions from 17 industry participants.

ETFs' AUM nipping at the heels of mutual funds

Domestic assets under management (AUM) for US exchange-traded funds (ETFs) have grown by 6.1 percent between August 2014 and 2015, according to a new Pershing report.

The report, What Lies Beneath: Understanding the Structure and Costs in ETFs, states that ETFs' AUM has risen from $1.88 trillion in August 2014 to $2 trillion as of August 2015.

"ETFs have a long way to go to match total assets of their mutual fund counterparts, PwC conservatively forecasts that global ETF assets will reach $5 trillion by 2020, nearly doubling its current levels of $2.7 trillion in less than five years," said the report.

In contrast, domestic assets for mutual funds fell by 1.6 percent in the same time period.

Total US mutual funds' AUM dropped from $15.88 trillion to $15.63 trillion.

The report also analysed expense ratios for ETFs and mutual funds.

"ETF expense ratios are generally less than those of corresponding mutual funds", the report stated.

"One important reason," said Brian Brennan, vice president of global ETF product management at BNY Mellon, "is the creation and redemption mechanism unique to ETFs."

"The cost of trading the underlying securities is borne by market makers who drive the primary trading of ETFs, rather than by the actual fund."

"Conversely, a mutual fund bears the costs of trading its underlying securities itself. But those costs don't always stay low for long."

Brennan pointed to "nuances" in certain types of ETFs that are not included in expense ratios, which can quickly add up.

"It's important to watch for those when considering more complex types of ETFs," he said, specifically mentioning leveraged and inverse ETFs, as well as master limited partnerships ETFs.

Deutsche Börse develops FX with 360T

Deutsche Börse has completed its acquisition of foreign exchange (FX) trading network 360T, having secured approval from the German Federal Financial Supervisory Authority (BaFin) and other relevant authorities.

The trading platform will be at the centre of Deutsche Börse's global FX strategy, and will build upon its existing business model.

360T CEO Carlo Kölzer will also join the group management committee at Deutsche Börse.

The two firms will work to develop a new electronic communications network trading venue for FX spots, which could potentially be used for derivatives instruments in the future.

They will also enhance operational capabilities for FX exchange-traded derivatives, optimising distribution through 360T's global reach.

Deutsche Börse CEO Carsten Kengeter said: "360T's impressive growth trajectory since its inception and its dynamically evolving position in the FX market makes it a substantial addition to broaden our asset class spectrum."

"It is a great strategic fit. The deal underpins part of our ambition to become the global market infrastructure provider of choice."

The trading platform will still remain under the regulatory supervision of BaFin, and will operate under the existing management team. Legal agreements and obligations also remain unaffected.

Russian and Serbian CSDs sign operations agreement

The National Settlement Depository, Russia's central securities depository (CSD), and Serbia's Central Securities and Clearing House have signed a memorandum of understanding to cooperate on depository and settlement operations.

The CSDs have agreed to share experiences and information on depository and settlement operations, interactions using correspondent accounts, corporate actions processing, and information services.

They have also committed to collaborate within regional organisations.

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Blank checks

Following the launch of the Misys Payments Insulator system, Elliott Limb explains the dangers of leaving payments processing unchecked

STEPHANIE PALMER REPORTS

Misys has launched the new FusionBanking Payment Insulator—what was the thought process in the run-up to this?

The payments industry has always been about straight-through processing (STP) and making sure we can move money around effectively. But, when you start to prioritise, risk is really the top priority, followed by cost, and then revenue.

Depending on where they sit in the payments cycle, firms tend to focus either on revenue, through innovation, or on cost, through process re-engineering. They tend to ignore risk, which should actually be the top issue as the impact of a payment failing can be catastrophic. If the wrong payment is placed at the wrong time, all sorts of things can go wrong, so we wanted to find a way to de-risk payments, and to deal with crises when they do arise.

How does the insulator work?

It's a very simple, thin technology that sits between the payment hub's processes and the wider payments scheme. Just before a payment goes out the door of the bank, it identifies any issues, and captures those payments.

For example, most banks have multiple payments systems. When it comes to making maintenance changes to them, the bank might know 90 to 95 percent of what will happen when it makes that change, but there is still the 5 percent risk that any changes will have unexpected impacts further downstream. There will be tests ticked off and operational acceptance, but that's all in a test environment. Once it goes live, if something goes wrong with the first few transactions, you can reverse the change, but you can't undo those transactions.

When a change is made, the insulator can just catch the first 10 transactions and put them to one side, so the bank can make sure they're working as they should be before they go out to the market. It's very simple, but it could actually make a huge difference, because it's not only the impact that a failed payment could have on the market and the downstream effect, but there is also an internal cost for fixing a mistake. That could be recycling liquidity or moving payments, or anything else, but it will certainly be costly, and must be reported to the regulators.

What are the practical applications for financial institutions?

One of the most effective things is the 'big red button', which is a strategy for unexpected market events. In the event of a major market crisis, such as the collapse of Lehman Brothers, it's hard to know immediately what to do. Large institutions know they have to do something.

Pulling the plug completely isn't practical, but they probably can't just let everything go on as usual, either.

Using this technology, firms can put together a simple script or a workflow to identify anything with, for example, 'Lehman' in its narrative, anything with that bank identifier code, or with that international bank account number, and those payments will be placed into a holding queue.

An institution can see exactly what its liquidity position is, it can see the risk, and it can capture and hold anything this is coming in to the bank as well. Part of the problem with the Lehman crash was that six to nine months after the actual event many were still untangling payments processes and trying to figure out their positions. If something of that magnitude happened again, the insulator would have the capability to pick up that data, send it to the regulator and prove immediately what its position is.

Banks can cover off that market and clearly show everything that has been stopped before it was processed. If every bank had done this in 2008, then things might not have collapsed quite so dramatically.

How does it manage changes to infrastructure, or the introduction of new payments methods?

The system can actually be used to facilitate this. Immediate payments are starting to roll out around the world, and implementing new mechanisms can be a very big project, especially in markets where they haven't changed anything for years.

Banks that are switching over will have a moment where they flick a switch, take a deep breath and hope that both old and new systems work as planned.

Of course, there will be a lot of testing, but the insulator can help to reduce risk, and also make these changes faster and cheaper.

Firms can migrate certain payment types on to the new system, but keep them running smoothly through the old system, and as the messages come back, they can be fed in to the new system as if they've gone through both.

When the bank flips the switch, it can then do a gradual, staggered changeover, starting with low-value payments, feeding them through the system and checking them, and then moving on to higher figures.

This way, institutions can see exactly what is happening and what the potential issues could be.

In terms of innovation, it can also be used as a kind of sandbox. With financial technology start-ups and disruptors coming in, many banks don't know how to fit new capabilities into their infrastructure.

In theory, the insulator would allow a start-up to plug in to the infrastructure, but seal it off so that any payments it processes are captured until it's clear they're not affecting anything else.

Live testing has previously been very difficult in banks—the options were either just to hope everything works, which is a surprisingly popular choice, or to actually code new rules in to the sanctions systems—but if this affects any payments mistakenly, the fines and reputational damage can be horrendous. If firms can accept that change is going to happen, and that things are going to go wrong, then they can control it. It's managing the implications that is fundamental to success. AST

Elliott Limb
Global head of transaction banking
Misys

Innovation time

With T+2 on the horizon, operations managers need to get to grips with the risks and learn to embrace new technologies, says Greg McDonald of GBST

September marked seven years since Fannie Mae and Freddie Mac went into conservatorship and Lehman Brothers filed for bankruptcy. These and other events at the time tested the resiliency of the world's financial markets in an unprecedented way, exposing stresses not previously seen.

This was especially true in US financial markets, and in the wake of the 2008 credit crisis, policymakers, regulators, creditors and investors agreed that there was a clear need for developing and enhancing 'de-risking' mechanisms.

In the past, the post-event response would likely have centred on putting regulations in place such as Basel I and II, the Sarbanes-Oxley Act and the Markets in Financial Instruments Directive (MiFID). While there is still some discussion around regulatory controls with MiFID II and Basel III, as well as the Volcker Rule and the Financial Conduct Authority's changes to the Client Assets Sourcebook, the global emphasis now is more on reducing reliance on manual clearing and settlement processes by improving controls and the supporting technology.

With this, the securities industry is moving toward establishing central clearing products that support increased transparency, lower risk of fails and operational losses, and shortened settlement cycles. There is a particular focus on T+2 settlement, which has been implemented in a variety of markets around the world and is currently gaining attention in the US.

Return on investment

Nothing is as unsettling to an operations manager than leaving for the day without knowing that outstanding risk and exceptions have been closed out. Yet this is the environment we live in today.

While technological advances have simplified processes in every other aspect of business, not much has changed from an operational standpoint where securities processing is concerned.

Generally speaking, the financial services industry is weighed down by 'technical debt'. Historically, technology spend has not been a priority unless a significant issue arises. Even then, only the system causing the problem is addressed.

As one former senior bank operations and technology head often reminded his team: "Operations is just the part that technology hasn't gotten around to fixing yet."

This is not an uncommon viewpoint, as many organisations do not see recurring capital as an opportunity to improve operational inefficiencies but as dollars that can be returned to shareholders or used to drive incremental revenue. They view operational losses as the normal cost of doing business.

As a result, many organisations continue to work on legacy systems that have not kept pace with technology and the industry is plagued with workarounds due to the limitations.

This is especially true where exception management is concerned. Perpetual fails can potentially cost an organisation hundreds of thousands, if not millions, of dollars in real profit and loss under the newer Basel-driven capital rules.

> "While at one time the cost of a technological overhaul was not seen as a commercially responsible decision, robust technology supporting the middle office and operational processing now pays for itself"

As an industry, it is imperative that we change our perspective and stop looking at technology in terms of what it costs, but of what it can do. While at one time the cost of a technological overhaul was not seen as a commercially responsible decision, robust technology supporting the middle office and operational processing now pays for itself several times by freeing up capital to support growth.

The next generation

To achieve all of the goals the industry is working toward—greater transparency, fewer operational losses and faster settlement—ideally designed operational processes must be geared toward real-time or, at the very least, near real-time performance and not the current end-of-day or next-day timeframes.

That's the way it would happen if we were to design a market from scratch today, but of course that's not economically feasible.

Enter T+2

Moving from the T+3 environment, in which many markets still operate, to T+2 brings with it the promise of reduced risk exposure and increased market liquidity since settlement happens faster. There's also greater visibility into the trade lifecycle with real-time views.

While shortening the settlement cycle does provide an upside in terms of risk management, any industry-wide change such as this receives a lot of attention—and not all of it positive. Apprehension across operational and technology managers is often grounded in the uncertainty of change.

That's really not the issue where T+2 settlement is concerned since we already know that it works. Not only has T+2 been the standard practice in the repo market from the beginning, it's been implemented for clearing and settlement in a number of the world's major markets.

In a letter from Mary Jo White, chair of the US Securities and Exchange Commission (SEC), to the Securities Industry and Financial Markets Association and the Investment Company Institute in response to the June 2015 whitepaper Shortening the Settlement Cycle: The Move to T+2, White said the SEC strongly supports "efforts to shorten the settlement cycle from the third business day after the trade date to no later than the second business day".

White went on to say: "While current SEC rules do not prevent implementation of T+2, I recognise that updates to those rules could help support the move to T+2 by all market participations, as well as shorter settlement cycles potentially in the future."

Reading between the lines, this does seem to indicate that the SEC will implement a T+2 rule at some point in the future, and that the market could adopt a T+1 framework in the longer term.

With this, chief administrative officers and COOs are likely facing the question of what comes next. They know that to harmonise with the world's markets they need to start planning for T+2, taking a fresh look at their current processes in terms of system interdependencies, funding frameworks and processing bottlenecks.

As a part of this analysis, market participants should also be thinking about the risks and obstacles of making the next move to T+1, even if that's one year from today or 10, to ensure we don't end up with the same type of legacy technology issues that we have today. **AST**

Greg McDonald
Head of product strategy for the Americas
GBST

Industry appointments

Kher Sheng Lee has joined the Alternative Investment Management Association (AIMA) as global deputy head of government affairs and head of Asia Pacific (APAC) government affairs.

He joins from his position as general counsel at Azentus Capital. Previously, he founded and chaired The Asian Hedge Fund Legal and Regulatory Group, a peer-to-peer buy side networking group.

The move is a progression of Lee's work with AIMA. He was the first chair of the association's sound practices committee, a member of the asset management standing committee, and co-chair of the Hong Kong regulatory committee.

The Securities and Exchange Commission (SEC) has appointed two new associate directors to its clearing and settlement office.

Wenchi Hu and **Christian Sabella** will join as associate directors for risk and supervision and regulation, respectively.

Hu will oversee supervision of registered clearing agencies, which has expanded to include firms that clear securities-based swaps.

Since joining the SEC in 2011, she has worked in various departments, including the office of compliance inspections and examinations, and the office of derivatives policy.

Sabella will lead a team developing recommendations for commission policy and rulemaking regarding clearing agencies, transfer agents, security-based swap data repositories and a variety of other financial market infrastructure.

He also joined the SEC in 2011 as a branch chief in the trading practices, and was a special counsel to the trading and markets division director from July 2013 to April 2015.

Northern Trust Asset Management has appointed **Hazel McNeilage** as managing director for Europe, the Middle East and Africa (EMEA).

She is now responsible for institutional business development and relationship management in the region.

Previously, she was a consultant at Northill Capital, and she has also held positions at QIC and Principal Global Investors.

She said: "Northern Trust's client centric approach and reputation for ethics and integrity were major factors in my decision to join the organisation."

INDOS Financial has hired **Andrew Watson** to manage its private equity and real estate depository business.

Watson is a chartered accountant specialising in private equity and financial services, and will join INDOS's London office.

Bill Prew, CEO of INDOS Financial, said: "We have seen increasing demand for our depositary services from private equity and real estate fund managers."

He added: "Watson brings significant private equity and related AIFMD depository knowledge and experience to the business."

Citi has hired two experienced executives to its global custody and fund services business, and promoted another internally, to run its North America franchise.

Dominic Crowe joins as global head of development and strategy for custody and fund services, responsible for creating product and platform strategy for the business.

Previously, Crowe was global head of client service delivery for structured products at BNY Mellon.

He will now be based in Citi's New York office.

Bill Pryor joins the Boston office as global head of data and analytics for custody and fund services. He will work on harmonising the delivery of Citi's custody and fund services products and information.

Previously, Pryor was global head of investment information services at J.P. Morgan.

Jay Martin has moved from the position of head of investor services operations for North America and global head of alternative investments and wealth management operations at Citi to run the bank's North America custody and fund services franchise. All three will report to Sanjiv Sawhney, global head of custody and fund services. **AST**

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