AST
ASSETSERVICINGTIMES
ISSUE127
18.11.2015
WEDNESDAY
assetservicingtimes.com

US hands Deutsche Bank $258 million fine

Deutsche Bank has been fined a total of $258 million for processing US-denominated transactions on behalf of countries and other entities subject to sanctions under US federal law.

The bank will pay $58 million to the Federal Reserve, which has also issued a cease and desist order, and $200 million to the New York Department of Financial Services (NYDFS), which also ruled that Deutsche Bank must install an independent monitor.

Although many of the staff involved no longer work with the bank, both bodies also ordered that the six that remain with the bank have their employment terminated, and prohibited Deutsche Bank from re-hiring them, or employing them as contractors or consultants. Three additional employees will also be banned from any involvement with US operations.

According to NYDFS, between at least 1999 and 2006, Deutsche Bank deliberately created a payment processing scheme designed to evade the US Treasury Office of Foreign Asset Control (OFAC) sanctions, calling the scheme “OFAC-safe”.

An email from a Deutsche Bank employee said: “Let’s not revert to the client in writing due to the reputational risk involved if the e-mail goes to wrong places. Someone should call [the client] and tell them orally and ensure that the conversation is not taped … Let’s also keep this email strictly on a need-know basis, no need to spread the news … what we do under OFAC scenarios [sic].”

The bank used this scheme to process transactions on behalf of countries and other entities subject to US sanctions, including Iran, Libya, Syria, Burma and Sudan. It conducted about 27,000 transactions denominated in the US dollar, totalling a value of over $10.86 billion.

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Retail channels see ETF growth

There was a 7.4 percent growth in exchange-traded fund (ETF) assets between January and 30 September, according to the Broadridge Financial Solutions Fund Distribution Intelligence.

ETF assets increased by $144 billion due to retail channels, according to Broadridge’s data.

Long-term mutual fund assets from third party distributors dropped by 2 percent ($156 billion), during the same period.

Retail channels now represent 63 percent of all ETF assets.

Registered investment advisors (RIAs) led all retail channels over the past year adding $46 billion in ETF assets, followed by wirehouses with $45 billion and independent broker dealers with $41 billion.

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SunGard: outsourcing is route to efficiency

More collaboration in the listed derivatives industry is necessary for coping with data standardisation and reconciliation challenges, as well as for dealing with inefficient processing, according to a Financial Markets Consulting report commissioned by SunGard.

Some 75 percent of respondents also supported more industry collaboration.

There was also a desire to use more utilities in the market, in order to minimise some of the redundant and inefficient processes in use today.

A vast majority of about 85 percent cited data standardisdation in trading, clearing and post-trade as the most pressing opportunity for addressing operational challenges.

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US hands Deutsche Bank $258 million fine

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Deutsche Bank charged additional fees to the clients for which it was processing transactions. They were instructed to use code words that would trigger the special treatment, and were instructed not to use the bank's name.

There was also an internal focus on keeping this practice hidden in order to maintain the bank's reputation.

The $50 million fine from the Federal Reserve related to general unsafe and unsound practices at Deutsche Bank. According to the Federal Reserve, the bank did not have the sufficient policies and procedures in place to make sure its activities outside of the US complied with US sanctions laws.

It also didn't have the correct policies to ensure that these activities were reported to the Federal Reserve Bank of New York in a timely manner.

Anthony Albanese, acting superintendent of NYDFS, said: "We are committed to investigating and pursuing sanctions violations and money laundering at financial institutions."

"We are pleased that Deutsche Bank worked with us to resolve this matter and take action against individual employees who engaged in misconduct. To truly deter future wrongdoing, it is important to focus not just on corporate accountability, but also individual accountability."

Deutsche Bank will now implement an enhanced programme to ensure global compliance with US sanctions, which will be administered by the US Department of Treasury Office of Foreign Assets Control.

The employees that have been removed from the firm include senior figures in the global transaction banking, operations, and corporate banking and securities departments, as well as a vice president and relationship manager.

Deutsche Bank agreed to cooperate in the investigation against these individuals, but the Federal Reserve stressed that the bank is not the subject of these investigations.

In a statement, Deutsche Bank said: "We are pleased to have reached a resolution with the New York Department of Financial Services and the Federal Reserve. The conduct ceased several years ago, and since then we have terminated all business with parties from the countries involved."

Retail channels see ETF growth

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The only retail channel with increased assets for long-term mutual funds over this period was the RIA channel with an increase of $29 billion.

"ETF assets continued year-on-year growth through the third-quarter, despite the worst stock market drop since 2008, with advisors accounting for the lion's share of investment," said Frank Polefrone, senior vice president of Broadridge's Access Data product suite.

"This trend demonstrates the increased use of passive products. Registered investment advisors, which hold a higher percentage of passively managed funds, were the only retail channel with an increase of long-term fund assets over the last year."

The latest Broadridge data also highlighted that total long-term mutual fund and ETF assets across retail and institutional channels reached $7.2 trillion and $2.09 trillion, respectively.

On a year-to-date basis, total ETF assets increased by 0.2 percent ($5 billion), while long-term funds sold through distributors decreased by 3.3 percent ($243 billion).

While retail ETF channels were up 13 percent ($150 billion) over the past year, ETF assets from institutional channels decreased by 1 percent ($6 billion).

Long-term funds from retail channels were down by $199 billion over the past year, while assets from the institutional channels were up $43 billion.

SunGard: outsourcing is route to efficiency

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There was also interest in a centralised reporting facility for sourcing trade data from exchanges and adding client data, before delivering it back to data depositories in the required format.

The report identified a lack of open communication between vendors, third-party utilities and processing technologies, making it difficult for firms to access data and perform calculations in core processing engines.

Andrew Whyte, president of SunGard's derivatives utility business, said: "Pressure from the changing regulatory landscape and firms' internal business priorities are accelerating the industry's willingness to embrace utilities."

"This research indicates a clear desire to collaborate and mutualise costs of the most standard and least differentiating processes, looking to turn major cost centres in to efficient operations, where the cost of the constant churn of change can be shared."

The report concluded that the only realistically affordable way to deliver the efficiencies required for the modern market is for industry players to work together. It noted that, in the post-crisis environment where profit margins are reduced, no one firm can afford to take the lead on driving this collaboration—collaboration that was not necessary pre-crisis.

It also suggested that utilities could be the key to this collaboration, driving standardisation and leading to significant cost savings.

According to the report, third-party players can solve the same problem for multiple market players and can deliver new solutions to the market more quickly, easing the transition in to a more innovative and sustainable industry environment.

ASTINBRIEF

The KID's not alright

Clear separation of costs is integral in the key information document (KID) required for the packaged retail investment and insurance-based investment products (PRIIPs) regulation, in order for consumers to properly compare products, according to Insurance Europe.

The PRIIPs regulation is designed to improve consumer protection and confidence as well as improving transparency and comparability of PRIIPs products.

The regulation mandates that the KID should include costs associated with investment, however, this should not be bundled together with the insurance premium, according to Insurance Europe.

The report highlighted that insurance-based investment products can offer consumers opportunities and additional benefits which are secured by payment of an insurance premium. It argued that it is in the interest of the consumer that the amount of the insurance premium is presented in a separate designated insurance section of the KID. This section should detail the insurance cover, benefits and biometric risk premium.

To insure transparency, a reference to this would be made in the cost section, and again in the performance scenario section.

According to Insurance Europe, if this separation is not made, then consumers will not be able to compare costs or benefits of products, leaving the consumer at a disadvantage.

Deutsche Bank cutting back

Deutsche Bank intends to reduce its cost base by about €600 million by 2018, and to reduce its business division's cost income ratio by about 10 percentage points.

The bank's Strategy 2020 also outlines plans to wind down what has been termed the non-core operations unit, although it is not clear which operations this could affect. It will also implement new accountability measures for its management team.

Co-CEO of Deutsche Bank John Cryan outlined key strategic goals of improving efficiency in order to lower costs; reducing risks through modernisation; becoming more capitalised in order to stay ahead of regulation and market expectations, and to improve discipline and responsibility within the firm.

According to the plans, the number of products offered will be reduced by about a third, and the bank will make efforts to improve efficiency in its operations, and in its head office.

In a bid to become better capitalised, Deutsche Bank intends to reduce risk-weighed assets (RWA) by about €90 billion—including cutting €50 billion from portfolio measures, and selling off its stake in the Chinese Hua Xia Bank.

The cuts are intended to offset anticipated RWA inflation, due to regulations, and will leave the bank with RWA of about €320 billion.

To lower its risk profile, the bank plans to prioritise investment in its know-your-client and anti-money-laundering infrastructure. Measures include a review of risks for specific players, and a long-term plan to stop relationships with those clients and regions with risk levels deemed unacceptable.

In addition, the strategy outlined plans to close about 200 Deutsche Bank branches in Germany, and the complete exit of onshore operations in Argentina, Chile, Mexico, Peru, Uruguay, Denmark, Finland, Norway, Malta and New Zealand.

This also means a reduction in the workforce, with a plan to cut 9,000 full-time positions and 6,000 external contractor positions.

Of the job cuts, Cryan said: "This is never an easy task, and we will not do so lightly. I promise that we will take great care in this process, moving forward together with our workers' representatives."

Jürgen Fitschen, co-CEO of Deutsche Bank, said: "Deutsche Bank's country network is among its strongest credentials for clients. That network, however, has never been static. We adapt it over time, sometimes expanding the number of countries in which we operate and at other times consolidating."

"In either scenario, one aspect endures: our commitment to serving clients around the world as Germany's global bank."

Euroclear's ESES CSDs delay T2S migration

Euroclear has delayed the T2S migration of its Euroclear Settlement of Euronext-zone Securities (ESES) central securities depositories (CSDs) for Belgium, France and the Netherlands.

The delay means that the French, Belgian and Dutch CSDs will not migrate to T2S with wave two in March 2016, as planned.

Euroclear has put the delay down to early challenges in the process, which have now been resolved, but have set them behind in the migration schedule.

According to Euroclear, it is working with the European Central Bank and with its clients to explore alternative migration solutions, and to try and minimise the impact of the delay. A clearer migration schedule will be provided after this evaluation.

Community testing on the ESES platform remains available, and Euroclear has stressed its commitment to the safety, stability and resiliency of the T2S marketplace.

Time running out for FRTB updates down under

Some Australian banks should reconsider their business strategies in light of the Fundamental Review of the Trading Book (FRTB), according to a whitepaper from Wolters Kluwer Financial Services.

The paper explores the impact of FRTB on banks in Australia, and argues that the new regulatory and risk obligations mandated by the review mean more sophisticated IT infrastructure will be required. The costs of this could force banks to re-asses their business plans.

FRTB is the latest revision of trading book capital rules from the Basel Committee for Banking Supervision, and is intended to reduce global financial risk, particularly relating to the regulatory framework around trading books.

Banks will have to respond quickly and accurately, and in order to optimise capital, they will have to identify all asset classes and trading desks that contribute to capital change.

This means that all underlying data will have to be consistent, and, according to the report, IT infrastructures may need an update in order to be sophisticated enough to analyse the required data and flexible enough to extract the required information at short notice.

Soon Kit Tham, a risk specialist at Wolters Kluwer Financial Services and author of the report, said: "The cost consideration may be the key factor in determining whether some market participants decide to completely overhaul their business strategy, concluding that the new rules are too onerous and compliance is too difficult and costly."

She added: "Much of what is being proposed in the FRTB could be implemented in 2017. Banks need to start planning and implementation as soon as possible, in order to allow for adequate testing time. Put simply, time is running out."

Equitile and HSBC launch ACS structure

HSBC Securities Services has been appointed as custodian and fund services provider by investment manager Equitile.

Equitile and HSBC have worked together to launch the first authorised contractual scheme (ACS), a UK-based tax transparent master fund, with a UK feeder fund.

The ACS structure was introduced in the 2013 Finance Act to help the UK better compete as a fund domicile.

The new ACS master feeder structure will allow Equitile to offer investors an efficient investment structure that will enhance investment returns without creating additional complexity and cost, according to HSBC.

In addition to providing full support for Equitile's ACS, HSBC will provide FX hedging services for Equitile's currency exposures.

Andrew McNally, CEO of Equitile, said: "We firmly believe the combination of the ACS and master feeder is a blueprint for the asset management industry in the UK and will enable us to grow quickly and efficiently."

"It was important for us to work with a partner with a proven track record of successfully bringing to market ACS fund structures, which was why we selected HSBC."

Cian Burke, global head of securities services at HSBC, added: "The ACS structure helps our clients enhance returns by simplifying investment management."

Eagle Alpha raises data investment

Alternative data platform Eagle Alpha has raised \$1.8 million in investment through its latest funding initiative, and has added new members to its board and advisory panel.

The platform is intended to help asset managers make the most of alternative data through customisable tools, proprietary analytics, data sets, research and thought leadership, and includes access to data on consumer spending and desktop traffic, as well as data extracted from websites.

The latest fund-raising initiative saw investment from both new and existing partners.

Emmett Kilduff, CEO of Eagle Alpha, commented: "Asset managers are integrating alternative data into their investment processes. This funding round is an important milestone on our journey to become the leading alternative data platform for asset managers."

The platform has also announced that Adrian Faure will join its advisory panel. Faure has 25 years of experience in sell-side research, and is currently managing director of corporate finance and capital advisory boutique Bosham Capital Advisors.

Faure said: "In a world where the value of sell-side research has markedly declined, Eagle Alpha's alternative data analytics stands out as a very powerful, differentiated and valuable addition to the institutional investor's tool box."

"I look forward to helping [Kilduff] and his team continue to build Eagle Alpha into the pre-eminent provider of alternative data analytics to the investment community."

This follows the appointment of Gawn Rowan-Hamilton, co-founder and former chief financial officer of MergerMarket, to the board in August.

Mexican stock exchange initiative adopts Nasdaq technology

Bolsa Institucional de Valores (BIVA), the new Mexican stock exchange initiative, will use Nasdaq's X-stream trading technology and SMARTS surveillance system, in a bid to increase transparency and maintain market integrity.

BIVA is in the process of seeking approval from the Mexican Ministry of Finance, but according to Central de Corretajes, the holding company backing BIVA, the exchange is in line with the financial reform, which was recently approved by the Mexican government.

Fernando Perez Saldivar, CEO of BIVA, said: "We see this new partnership with Nasdaq as a crucial part of successfully launching BIVA and giving Mexico's financial sector the boost of liquidity and world-class technological infrastructure it absolutely deserves."

He added: "Mexico has the potential to become one of the world's top ten economies. By becoming the second exchange in the country, BIVA is keen to support our country in achieving this goal."

The new Mexican stock exchange is intended to lead to benefits such as more technological innovation, market continuity, increased liquidity, lower execution costs, more trading alternatives, and a more attractive environment for initial public offerings.

All single securities that are currently traded in Mexico will also be tradable on BIVA from its first day, and new and existing issuers will be able to choose the preferred exchange for their primary listing.

Lars Ottersgård, executive vice president and head of market technology at Nasdaq, said: "Nasdaq has always been a proponent of marketplace diversification and increasing sources of liquidity, which benefits investors and market participants alike, as well risk mitigation requirements driven by the regulators."

"Operating our market technology will give BIVA the international credibility and join a long list of the world's most powerful exchanges running on Nasdaq systems."

X-stream is currently used by 30 marketplaces around the world, while Nasdaq's exchange technology is in operation in more than 100 marketplaces spanning the Americas, Europe, Asia, Australia, Africa and the Middle East.

Capita to administer Regional REIT

Regional REIT, managed by Toscafund Asset Management, has appointed Capita as provider of company secretarial, fund accounting and registrar services to the fund.

Capita will provide administration, accounting and company secretarial service to UK REITs.

Gordon Shaw, managing director of Capita's fund services business, said he is delighted by the new appointment and is looking forward to working with Toscafund.

Paresh Shah, COO of Toscafund, added: "The [Capita] team has already demonstrated their knowledge of specialist funds by assisting us with a review of set up documents and providing examples of best practice.

"We are positive that our relationship with Capita will go from strength to strength."

Another RQFII win for HSBC

HSBC has been appointed custodian bank for the first Luxembourg-based renminbi qualified foreign institutional investor (RQFII), the Industrial and Commercial Bank of China (ICBC).

The mandate comes after ICBC Europe secured regulatory approval as an RQFII, and represents a continuation of HSBC's 100 percent success rate for RMB quota application on behalf of its clients.

Designed to open China's capital markets to international investors, the RQFII programme was extended to Luxembourg in April with a quota of RMB 50 billion ($8 billion).

ICBC is one of six Chinese banks with a presence in Luxembourg, and was appointed as the RMB clearing bank for Luxembourg in 2014.

Bing Li, head of the asset management department at ICBC Europe, said: "This is a key milestone, which further strengthens our position in Europe. Given our established presence in Luxembourg, it was important for us to be among the first RQFIIs from this market with valuable facilitation from HSBC."

Sophia Chung, head of securities services for China at HSBC, said: "This development demonstrates the important role that Luxembourg plays in the internationalisation of the RMB as a hub for cross-border RMB business in the Eurozone."

"With the uptake of the RQFII programme, we expect institutional investors across Europe to use Luxembourg as a gateway to China and we also expect more Chinese financial institutions to establish a fund domiciled in Luxembourg. We are delighted to be working with ICBC Europe on this initiative."

As of 31 October, HSBC was custodian bank for RMB 200.6 billion ($31.5 billion), equivalent to 48 percent of the total RQFII investment quota issued.

The new Asia movement

Asia Pacific countries need to work together to make the most of foreign investment, according to Lawrence Au of BNP Paribas

STEPHANIE PALMER REPORTS

There is a lot of buzz around the Asia Pacific region at the moment. What are the most important trends from your point of view?

There is no doubt that there is a lot going on in the Asia Pacific region, and that is largely driven by China—the internationalisation of the renminbi has been a driver of a lot of different initiatives. China is opening up its market for investment, the Hong Kong-Shanghai Stock Connect was launched last year and the renminbi qualified foreign institutional investor (RQFII) programme is expanding, not only allowing equities or balanced funds but also fixed income-only funds.

At the same time, the whole region is trying to get traction from international investors, and there are several passporting arrangements happening simultaneously. One is the Association of Southeast Asian Nations (ASEAN) funds passport, which covers jurisdictions such as Singapore, Malaysia and Thailand. Then there is a bigger, more regional agreement, the Asia Region Funds Passport (ARFP), which is currently in the consultation stages, and would involve Australia, New Zealand, South Korea, Singapore, the Philippines, Thailand and, most recent signatory, Japan.

Finally, if you look at fund flows, Europe is coming out of a very bad time financially, and there is a fairly common acknowledgement that, although it is going to resume growth, it will be very low percentage growth. The US has long been expecting to come out of its low growth cycle, but all of the economic data is still very ambiguous and there are still some fundamental issues with the economy.

By comparison, China is probably going to have 6 or 6.5 percent growth this year, even taking in to account this summer's issues with the stock market. This is still impressive growth. The market has just been too used to double-digits.

China is still an emerging market—do you think it needs to have a wobble or two in order to fully mature?

I think the market adjustment since the summer is healthy, and it perhaps gives a more balanced view of China. It is growing a lot, but some of the infrastructures are less developed than they should be.

Every major Asian market has been through a crisis or two before becoming healthy. Then, afterwards, they tried to understand what the issues were and corrected them, creating an environment more attractive for institutional investors, as opposed to being dominated by retail investors. They would create much clearer rules and create more hedging tools in the market, improving public confidence so that gradually the stock market would become more balanced.

Hong Kong closed its market completely for four days in the October 1987 market crisis because of huge turmoil, and at that time it was largely a retail market, just as China is today. Now, Hong Kong is about 70 percent institutional investors and 30 percent retail, and it is much more healthy.

In the long run, China will implement reforms that will allow it to progress to a more mature, reliable and transparent infrastructure.

The ARFP is a partnership between very different markets. How will this work in practice?

Culturally, economically and geographically, many of these countries have no connections at all—it's just an assembly of countries that have a similar interest. One major drive for the ARFP is that these markets are tired of UCITS being driven by the European agenda rather than looking at what is necessary to drive growth in Asia.

Another driver is that they're trying to get some traction from the fund flows besides the interest around China. These countries feel that they need to do something to make it easier for foreign investors, in order to take advantage of the interest in the region.

Currently, however, this is still in the memorandum of understanding period, and there is one key point that, if not addressed, will make it very difficult for the passport to be successful. That is the issue of tax.

In some countries, such as South Korea and Australia, local investors can purchase funds launched by local fund managers and pay a relatively low capital gains tax rate. If that fund is sold by a foreign fund manager, however, the capital gains tax rate is much higher.

This issue hasn't been addressed in the most recent version of the understanding, and because of this, Singapore, which was an early signatory of the ARFP when it was initially discussed, has refused to sign until the issue is addressed.

Singapore is generally a very open economy, but if Singapore agrees to this passporting regime, it would allow foreign funds to be sold to its investors, while Singaporean fund managers trying to sell funds in Australia, for example, will be hit with a punitive tax rate. It's not a fair arrangement. The Monetary Authority of Singapore has issued a statement explaining its stance on this and is really forcing the issue.

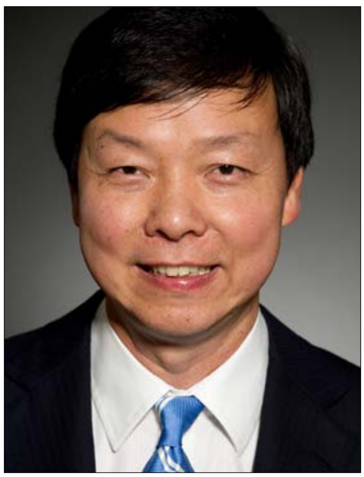
Are these issues being addressed? Will we see a passport soon?

It's hard to say, but now the problems have been put on the table, they will surely attract a lot more attention, and hopefully the tax issue will be resolved. I don't see how the passport can be successful if this is not addressed.

The other big issue is that, at least at the moment, the ARFP is not operating the same way as the UCITS framework, where if a fund is approved in the home domicile it can be sold to other countries without further approval.

In the cases of the ASEAN passport and the ARFP, the home country and the host country distributing the fund have to give their approval. They are both still some way off from real single passports.

Obviously, Europe is very different because it is driven by the EU, which serves to harmonise a lot of these things. There is no Asian union, so participating countries are, understandably, not willing to completely open up to each other. It is a big job, but if it is successful, it will be a big step for these Asian markets. AST



Lawrence Au
Head of Asia Pacific
BNP Paribas Securities Services

It pays to harmonise

The likes of ISO 20022 can no longer be ignored, says SWIFT's Stephen Lindsay

STEPHANIE PALMER REPORTS

How important is standardisation in the payments industry?

It's extremely important for things to be standardised, but it's not only payments, it also applies to securities, treasury, cards, and much more. If you want systems to be dependable, reliable, easy to implement, with high rates of straight-through processing (STP), then standardisation is the way to go.

By standardising these things, firms can share and benefit from best practice—they can try something once, formalise what works, and extend that to other institutions. Equally, if there are multiple systems, for example, in the market infrastructure world, where there are many different high-value payment systems for different currencies, then if they all work in basically the same way, then global banks that have to connect to several of them will see a reduction in both cost and risk.

We've already been extremely successful in standardising international payments with the existing SWIFT standards, and those now embrace a lot of different lines of business as well, such as the post-trade space, securities, and trade finance. It allows banks, wherever they are in the world, to communicate with each other in a way that is reliable and unambiguous, allowing them to automate and process things in the most efficient way possible.

Now we're seeing the roll-out of ISO 20022, which intends to provide a single standard for different business areas and different use cases. For example, payments can be international or domestic, high-value or low-value, and ISO 20022 covers all of those with the same basic set of messages. Again, it brings great economies of scale and scope for the industry at large, and particularly for the banks that implement those payments.

What kinds of cultural challenges come with cross-border messaging standards?

There are many cultural differences, and I think that the first thing to do is to acknowledge them. When we talk about standardisation, it's tempting to think that one size fits all, but experience has shown us that it really doesn't. One of the things that we're trying to promote is the idea of global market practice. You can try to do as much as possible in the same way, while at the same time allowing for regional variations and differences.

For example, some countries require a purpose code for payments coming in, detailing exactly what that payment is for. Some countries have them, and some don't, and those that do have them each have different ones, and those are things that we have to be able to accommodate.

The challenge is to highlight those differences, make sure they are really clear and well understood, and to make sure that, where there aren't differences in requirements, we do things the same way.

There is actually a lot of commonality, and where there are differences, we should try to understand the benefit they bring to that particular market.

It's all part of the harmonisation initiative. We have brought together a number of different market infrastructures, which, for the benefit of the industry as a whole, need to collaborate with each other. Sharing information is at the heart of this. If one infrastructure is doing something, it can use our MyStandards common platform to share that information with its peers.

The second thing is this notion of global market practice and collaboration. We will provide the venue so they can have these discussions and share best practice, so no-one has to re-invent the wheel, and highlight the differences between markets, making sure they're valid and justifiable, and finding ways to harmonise as far as possible.

It's about making it easier for the global institutions that have to deal with infrastructures in a lot of different markets, which will mean a lower cost-base.

From a commercial point of view, does this collaborative effort go against the grain for banks? Have you seen any resistance?

Not resistance—it's mutually beneficial so everyone wants to do it, in principle. It would be perverse for one entity to say it's important to do things differently, but that's not to say they don't want to differentiate. They're differentiating, but on a common basis, and in order to add value, rather than just to cause confusion.

Again, it's important to have a base line which we all share, which is a kind of commodity part of the process, and which is going to be really straightforward to implement because it's the same for everyone. That way, if one firm wants to add value on top, it can devote its energy entirely to that, rather than trying to do the same things differently.

They have to make their differences value-adding, rather than just inconveniences.

Can standardisation boost the effectiveness of regulations?

It depends on which regulation you're talking about. A lot of regulation put in place post-crisis has required institutions to report data to some kind of central authority, the idea being that the authority has some insight in to what's going on in the market, can identify patterns of systemic risk building up, and can take action to mitigate that risk.

That means there is an awful lot of data that's having to be identified, captured, formalised, formatted, and transmitted to the regulatory infrastructures, trade repositories, and so on. When the first wave of regulation came out after the crisis, it was somewhat rushed, and the specification of that data was quite loose and informal.

The consequence of that was that different reporting institutions interpreted that data in different ways, and trade repositories, market infrastructures and oversight infrastructures interpreted it differently still.

When the regulators came to put it all together, they found it was difficult to analyse it and detect sources of risk. In some cases, the poor quality and inconsistency of the data made it impossible.

We have actually solved this problem, to an extent, with the exchange of meaningful and unambiguous data in the transaction processing world, and we've done it for payments and securities settlement, and various other things. We've got a whole battery of techniques and methodologies in the standards world, so why shouldn't we use that experience so that, in the next wave of regulation, we can reuse some of those ideas in order to get better quality data, which is easier to prepare, easier to replicate, and that you can actually get some value out from.

It's a win-win as the reporting institutions are already implementing some of these standards and structures in their infrastructure anyway, so they have the experience and the tools available already and they can re-use that for reporting. The regulator gets better quality data and the institutions get a system that they already know how to deal with.

ISO 20022 has been chosen in the draft technical specifications for reporting for the upcoming Markets in Financial Instruments Directive II and Markets in Financial Instruments Regulation, both for defining and exchanging the data. The European Central Bank (ECB) has launched a programme for reporting money-market statistics between the ECB, the regional central banks, and those larger banks in those jurisdictions. Again, rather than coming up with something brand new, or creating something completely custom-made, they've been talking about using ISO 20022 to make that a more efficient and effective process.

Institutions are reporting for various regulations and to various jurisdictions. Could ISO 20022 make this any more efficient?

In theory, yes. It's not going to present and overnight solution to the problem, but as we start to see more standardised practices emerging, there will be a natural opportunity for those organisations to collaborate and to come together around some well-designed and shareable concepts that everyone can use. This is certainly one tool in the toolbox for addressing those problems, and one that is gaining traction.

What would you say to those people who think the ISO 20022 standard is unachievable?

It depends what we're talking about, as the standard itself has already been achieved in many cases and there are many other implementations already live. You can't say nothing can be done with it.

On the other hand, if we were talking about the notion of one standard that will override all other proprietary standards within the industry, then I would have to agree that that is unachievable. But that doesn't mean that we can't do some good things in the meantime. It's a good thing and people shouldn't make an enemy of it. Through harmonisation we can really save the industry money and improve regulatory outcomes.

If you're in the banking industry, your institution is going to be touched by ISO 20022. The standard will be implemented somewhere in your shop, so no, it may not be the answer to everything, but it can certainly no longer be ignored. **AST**

> "The reporting institutions are already implementing some of these standards and structures in their infrastructure anyway, so they have the experience and the tools available already and they can re-use that for reporting"

Stephen Lindsay
Head of standards
SWIFT

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Industry appointments

Global Prime Partners has appointed **Tom Wooders** as head of sales, broker-dealers and intermediaries.

Wooders will be responsible for growing the company's international clearing and custody services.

Prior to joining Global Prime Partners, Wooders held frontline sales roles at J.P. Morgan, BNY Pershing, State Street and Broadridge.

Global Prime Partners's clearing and custody services, which complements its prime brokerage offering, has recently extended its product range to include client money and asset segregation.

CHAPS has appointed **Tim Fitzpatrick** as its new CEO, with effect from 18 January 2016.

Fitzpatrick will replace Mark Hale, who has been acting interim CEO since June, and who will return to his regular position as CEO of payments service company the UK Payments Administration.

Currently, Fitzpatrick is COO of global payments and cash management and group head of payment services at HSBC, and has worked for the bank since 1991. He also has experience in trade services and transaction banking.

CHAPS co-independent chair Herta von Stiegel said: "[Fitzpatrick] brings a wealth of experience to the role which will help the UK's international and wholesale payment system to safely navigate the challenges ahead."

He added: "I would like to thank Mark Hale who has done an outstanding job as interim CEO, the company is in good shape for Tim to take over the reins."

"I'm also delighted that [Hale] in his continuing capacity as CEO of UK Payments will continue to work closely with [Fitzpatrick] and CHAPS. There's no doubt that the industry will be enriched by the close collaboration of these two senior leaders."

Fitzpatrick said: "It is a very exciting time to be joining CHAPS."

"The most important user requirement is of course resilience and stability, but I am looking forward to listening to all of CHAPS's users to see how we can work with them to further enhance the service to meet their evolving needs."

Elian has appointed **Kerstin Lindgren** as manager of depository services.

Lindgren will develop Elian's newly licensed depository services offering for alternative investment funds in Luxembourg.

Elian was granted approval to provide professional depository services in Luxembourg in October.

Lindgren has 15 years of experience in the investment fund industry, particularly in stock lending, depository and global custody services.

She previously held roles at SEB in Stockholm and Luxembourg.

Before joining Elian she was head of custody services at SEB, where she worked for more than 12 years.

Paul Lawrence, Elian's managing director in Luxembourg, said: "We have seen strong interest in our depository offering in the lead up to our launch."

"Kerstin Lindgren's appointment brings extensive experience and particular expertise that enables us to work effectively with managers of alternative funds to thoroughly understand their requirements and deliver tailored solutions."

Marcus Zickwolff has resigned from all his positions at Deutsche Börse Group, including senior advisor to Eurex Clearing.

Zickwolff departed from Deutsche Börse on 31 October, leaving roles such as chairman of the European Association of CCP Clearing Houses (EACH), and chairman of the Global Association of Central Counterparties (CCP12).

Deutsche Börse stressed that Zickwolff left the group on amicable terms "in order to pursue new opportunities".

Zickwolff became the representative of Eurex Clearing at the international CCP associations, EACH and CCP12, in 2007. **AST**

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Published by Black Knight Media Ltd
Provident House, 6-20 Burrell Row,
Beckenham, BR3 1AT, UK