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ISC outlines T+2 move play by play

The T+2 Industry Steering Committee (ISC) has published an Implementation Playbook to help market participants in their transition to a T+2 settlement cycle.

The playbook, which was developed in partnership with Deloitte Advisory, offers a detailed timeline, milestones and dependencies that market participants should consider in order to migrate to T+2 settlement for US equities, corporate and municipal bonds, and unit investment trust trades.

Implementation is set to be completed by the end of 2017.

The playbook was developed in response to a request by Securities and Exchange Commission (SEC) chair Mary Jo White for a more detailed implementation plan.

It builds on the whitepaper published by the T+2 ISC and outlines the high-level industry requirements and timeline for shortening the settlement cycle.

"Moving to a two-day settlement is a transformational change for the securities industry, which will also yield long-term benefits and help reduce risk for investors," according to Bob Walley, who is principal in Deloitte & Touche's finance and operations practice, which spearheaded the development of the playbook for Deloitte Advisory.

Tom Price, co-chair of the T+2 ISC, said: "The industry's work with Deloitte Advisory to develop the Implementation Playbook is a critical next step to help ensure that all market participants have the tools and knowledge they need to prepare their individual firms to be T+2 ready."

SEC approves SS&C trade network for US

SS&C Technologies Holdings has received approval from the Securities and Exchange Commission (SEC) to bring a post-trade matching service to the US market.

SSCNet is a cloud-based product that offers an alternatives service for investment firms in the US as they prepare to move to a T+2 settlement cycle, according to SS&C.

It will provide a real-time interface for transmission of matched institutional trades from SSCNet directly into the Depository Trust & Clearing Corporation (DTCC) for clearing and settlement.

"Proposals from regulators to shorten the securities settlement cycle from three days to two represent one of the largest challenges to face the North American securities industry in decades. Thousands of individual firms are being forced to examine the readiness of their securities settlement infrastructures," explained Bob Shaw, director of SSCNet.

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ALFI: swing pricing on the rise

The trend towards greater adoption of swing pricing is continuing, according to the Association of the Luxembourg Fund Industry's (ALFI) Swing Pricing Survey.

The survey showed both a greater number of participants responding to the survey and a greater number of asset managers implementing the mechanism.

Swing pricing is intended to protect existing shareholders from dilution associated with purchases and redemptions.

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SEC approves SS&C trade network
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"T+2 strategies can't be developed in isolation, and it's essential to have interoperability between countries. With direct access to the DTCC and Canadian Depository for Securities (CDS), SSCNet will offer market participants a giant leap forward towards T+2 settlement for all eligible equities and fixed income trades."

ALFI: swing pricing still on the rise
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This year's survey has been produced in more detail in order to look into how swing pricing is currently applied by asset managers, common trends, emerging themes and the challenges the industry faces in this regard.

Two out of three respondents, representing 54 percent of total assets under management in Luxembourg funds, apply swing pricing.

Over half of the asset managers not yet applying swing pricing stated they are in the process of evaluating it, and want to understand more about the key principles, drivers and theories.

The survey was conducted from July to September 2015, and included 45 companies.

Fed doubles interest rates

The Federal Reserve's board has voted unanimously to raise interest rates from 0.25 to 0.5 percent, marking the first rise since 2006.

As part of its policy decision, the Federal Reserve Bank of New York was authorised to execute overnight reverse repurchase operations at an offering rate of 0.25 percent.

The amounts available for these transactions will reflect the value of treasury securities held outright in the System Open Market Account by a per-counterparty limit of $30 billion per day.

Several industry observers noted the significance of the much-anticipated rate hike but also reiterated that this was just the beginning of the next phase of the market's recovery from the latest crisis.

"We expect two further rate hikes, but Fed watching will become much more thrilling than in previous years," commented Stefan Kreuzkamp, chief investment officer at Deutsche Asset & Wealth Management. "The Fed now controls two levers for its monetary policy: the federal funds rate and the speed by which it changes its policy of reinvesting proceeds from maturing bonds."

Kreuzkamp added that the real test for the Federal Reserve will come in 2016 and that, due to the sluggish speed of economic growth, it's not obvious when the next rate hike will come.

"Investors may well have to learn to live with greater uncertainty about the path of monetary policy. Having squeezed volatility in recent years, at least the US monetary policy is likely to have the opposite effect in the months to come."

"The Fed is clearly entering unchartered territory as it has never embarked on a hiking path in an environment with such low growth rates and never with such a bloated balance sheet."

"The fact that reserve balances of financial institutions at the central bank have grown from $15 billion in 2007 to now $2.5 trillion makes the Fed's task more difficult. We expect no shrinkage of the Fed's balance sheet until after the first few rate hikes."

This is data management's year, says Confluence

Data management will top the agenda in 2016, while regulatory fatigue will continue, and back-office outsourcing will increase, Confluence has predicted.

The investment solutions provider suggests that 2015 saw a shift in the way asset managers approach data management, and that as a result of regulatory change and more demanding investors, back-office technology has become fragmented.

As asset managers collect more data on their businesses and investment strategies, they are looking to develop more efficient and transparent data models that give a better insight in to their businesses.

Todd Moyer, executive vice president for global business development at Confluence, said: "Our industry has already gone through a transformation sparked by regulatory concerns with managing both systemic and liquidity risk, and that focus has left firms responsible for far more data than ever before."

He added: "In 2016, we predict the asset management industry will see streamlining and optimising their data management processes as a way to reduce risk, manage cost and create new business opportunities."

According to Confluence, data management reform will be at the top of agendas for 2016, as asset managers are on the verge of efficiently managing the data they're responsible for.

Firms will start to view manual data management as a cost and a liability, and so will restructure data management processes across the whole business. Projects will focus on data

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consolidation—lowering costs and removing the risks associated with data fragmentation.

Moyer said: "There will be a complete rethinking of industry best practices, associated costs and returns that improved data management will deliver to the firm."

"Thinking will extend beyond how to meet the next regulatory or investor demand and focus on how to create a sustainable data management model that ensures data flexibility, accessibility and reusability for the long term."

Regulatory fatigue shows no sign of letting up, according to Confluence, as regulators shift their focus towards identifying and managing systemic risk in the market, and towards making sure firms can understand and manage their own liquidity risk.

The regulatory environment has led to new data and technology solutions for asset managers, which is likely to continue.

"The ongoing regulatory push for greater transparency has certainly delivered benefits to the market and investors alike," said Moyer. "But achieving this level of transparency in the market has required an extensive investment of time and money, and quite frankly there is little sign that those costs won't continue to rise."

"These regulatory mandates have made inefficient and ineffective data management approaches no longer an option for asset managers."

Finally, less tolerance for self-administered private equity firms will lead to more back-office outsourcing, predicted Confluence.

As use of private equity as an asset class has increased over the last few years, institutional investors are demanding more transparency and more control.

This means there will be more pressure on private equity firms to outsource their back-office operations.

Moyer said: "Investors are holding private equity fund managers to a higher standard of transparency and control and there is a decreased level of institutional tolerance to allocate investments to private equity funds that are self-administered."

"Other third-party service providers are expanding their capabilities to play the same role they do in other asset classes."

"There are already a few fund administrators responding to this need, but we believe several more solutions will come to market in 2016 and beyond."

SWIFT launches payments initiative

SWIFT has launched a payments innovation initiative to improve the customer experience in correspondent banking by increasing the speed, transparency and predictability of cross-border payments.

The initiative will primarily focus on a business-to-business payments service supported by participating banks in early 2016.

SWIFT believes the new service will help corporates grow their international business, improve supplier relationships, and achieve greater treasury efficiencies.

In addition, it will enable corporates to receive an enhanced payments service directly from their banks.

The service will also include same-day use of funds, transparency and predictability of fees, end-to-end payments tracking and transfer of rich payment information.

The new service is designed to address end-customer needs, without compromising banks' abilities to meet their compliance obligations, market, credit and liquidity risk requirements.

Gottfried Leibbrandt, CEO of SWIFT, said: "Correspondent banking serves the industry with millions of secure cross-border payments day in, day out; with this initiative we are building on those strengths, enabling banks to provide distinctive cross-border payments services and providing real benefits to end customers."

"This is a critical step in cross-border payments innovation."

Yawar Shah, chairman of SWIFT, added: "This global payments innovation initiative is a reflection of the strength of the SWIFT community and its ability to collaborate and innovate, and deliver a new benchmark in cross-border payments."

Clearstream opens Georgia link

Clearstream is opening a domestic link in Georgia, becoming the first international central securities depository (CSD) to do so.

The link will open on 11 January and is part of a strategy to increase access to the Caucasus region and the Commonwealth of Independent States (CIS) for international investors.

It also means Clearstream will be able to offer Georgian government bonds and superannuation bonds through its partner, Bank of Georgia, which will act as local custodian and cash correspondent bank.

A separate entity, the National Bank of Georgia, will be the CSD for government bonds.

The new offering will include internal free-of- and against-payment settlement in all eligible currencies, including the Georgian lari. Other services include external free-of-payment settlement, custody and reconciliation, and asset servicing.

Berthold Kracke, head of business management at Clearstream and a member of the executive board, said: "The new link to Georgia is an important milestone as it marks another step in Clearstream's strategic aim to increase access for our global customer base to the Caucasus and CIS region."

"It also demonstrates Clearstream's commitment to support efforts made by the Georgian authorities and market participants to align their domestic market infrastructure and legal framework with international standards."

Murtaz Kikoria, CEO of Bank of Georgia, commented: "I am pleased that Bank of Georgia becomes the local custodian and cash correspondent bank for Clearstream and am excited about our prospects of partnering with Clearstream in expanding its international coverage by opening a new link to Georgia."

"It is an important step forward in terms of market coverage for Clearstream and another major boost for Bank of Georgia to be at the forefront of the capital market development in Georgia."

Giorgi Kadagidze, governor of the National Bank of Georgia, added: "The enabling of the Georgian link by Clearstream is a major milestone for capital market development in our country. It will work as a platform for European and international investors helping them to discover the Georgian market, which already features a liberal tax regime, ease of entry and exit and a leading market infrastructure."

"This was a long anticipated event and we hope to see increased activity of international investors following this announcement. We look forward to continuing cooperation with Clearstream in other areas aimed at developing the local capital market, which will bring mutually beneficial results."

Hedge fund assets up a third

Hedge fund assets under management (AUM) have increased by 34 percent in the last three years, according to an International Organization of Securities Commissions (IOSCO) survey.

The value of hedge fund AUM has shot up to $2.6 trillion from $1.7 trillion since the last survey in 2012.

Most of this growth can be attributed to changes in asset values, net inflows and fund structures. Some also reflects more widespread and accurate reporting across participating jurisdictions, according to IOSCO.

This third IOSCO hedge fund survey captured data from 1,486 qualifying funds, an increase of 42 percent from the 1,044 funds that participated in the previous survey.

The latest survey is part of IOSCO's efforts to support the G20 initiative to mitigate risk associated with hedge funds.

The survey also highlighted other features of the hedge fund industry, such as the Cayman Islands continuing to be the tax domicile of choice.

It also noted that equity-based strategies remain the most popular among hedge funds.

Financial crime compliance hot topic in Asia Pacific

Anti-money laundering (AML) and counter-terrorist financing (CTF) compliance are the key challenges faced by financial institutions in the Asia Pacific, according to a Wolters Kluwer Financial Services and the GRC Institute survey.

The survey found 64 percent of finance industry professionals surveyed said they were concerned with increased AML and CTF reporting requirements following the heightened regional regulatory push to clamp down on money laundering. This compares to 58 percent who expressed concerns in a similar poll conducted in 2014.

"Often prompted by Financial Action Task Force inspections, most authorities in the Asia Pacific region now have a key focus on the main money laundering risks, and they continue to identify and investigate a greater number of money laundering cases," said Michael Thomas, North Asia director at Wolters Kluwer Financial Services.

"In tandem with these developments governments are starting to introduce AML laws which means institutions have to take reporting more seriously than ever before."

The industry is seeing increased demand for trained AML specialists, with 56 percent of respondents citing this as their second most important challenge in AML compliance, compared to 46 percent in 2014.

Clearstream sees November highs

Clearstream saw an 8 percent increase in its assets under custody in November, compared to November 2014, registering an increase from €12.4 trillion to €13.4 trillion.

Securities under custody in Clearstream's international central securities depository (ICSD) reached €7.3 trillion in November 2015, an 11 percent increase on last November's figure of €6.6 trillion.

Securities under custody in the domestic German CSD also increased, by a more modest 5 percent, from €5.8 trillion in November 2014 to €6.1 trillion in November 2015.

For the period year-to-date, the combined domestic and international CSDs have seen a 9 percent increase in assets under custody, compared to the same period in 2014. Year-to-date 2015, the figure reached €13.3 trillion, compared to €12.2 trillion in 2014.

In November 2015, Clearstream processed 3.5 million ICSD settlement transactions and 7.4 million domestic settlement transactions.

This represents a 5 percent increase in ICSD transactions, which totalled 3.3 million in November 2014. Of November 2015's total, 83 percent were over-the-counter (OTC) transactions and 17 percent were registered on the stock exchange.

Transactions on the German CSD totalled 6.7 million, meaning that November 2015's total of 7.4 million marks an 11 percent jump.

Of these, 38 percent were OTC transactions and 62 percent were registered on the stock exchange.

The combined total of ICSD and CSD settlement transactions increased by 10 percent, year-to-date, compared to the same period in 2014. It totalled 126.7 million in 2015, compared to 115.3 million in 2014.

According to Clearstream, the investment fund services (IFS) business contributed to this, as its corresponding transactions saw growth of 12 percent, year-to-date, from 8 million transactions in 2014 to 8.9 million in 2015.

In November 2015, IFS processed 800,000 transactions, 9 percent more than November 2014's total of 700,000.

National Settlement Depository develops settlement services

The National Settlement Depository (NSD), Russia's central securities depository, has started applying the electronic matching procedure for all counterparties' potential counter clearing and settlement instructions for over-the-counter securities trades. Previously, the service was optional for NSD clients.

The electronic matching service allows NSD to efficiently identify potential discrepancies in the counterparties' counter instructions on trades, which means it can significantly reduce non-performance risk.

HazelTree and Goldman Sachs revamp cash management

Treasury management provider HazelTree and Goldman Sachs Asset Management have joined forces to offer financial institutions automated cash management services.

The strategic partnership is in response to the changing regulatory environment for systemically important financial institutions (SIFIs), such as Basel III guidelines on capital requirements and balance sheet composition.

Instead of manual cash transfers with each counterparty, typically the most common practice today, HazelTree and Goldman Sachs will provide an automated, 'sweep' access to solutions managed by Goldman Sachs.

Clients can view all cash balances across their counterparties and can set target rules to optimise those cash balances and investments through the enhanced functionality.

The service is aimed at hedge funds, fund administrators, managed account providers and family offices.

"Because of these new requirements, banks' desire to accept or retain short-term cash deposits on their balance sheets has become challenging for SIFIs, and many institutional investors may not be able to keep cash balances on deposit in the same way they have in the past," said Stephen Casner, CEO of HazelTree.

"As more banks become 100 percent compliant with Basel III, the pressure on hedge funds in particular to find alternatives for their cash—or face deposit limits or higher fees—will only increase."

"This partnership with Goldman Sachs aims to provide a risk-managed, operationally efficient way for hedge funds to streamline their cash management through an unprecedented combination of visibility into excess cash balances across clients' various counterparties and automated movement of that cash for easier execution."

SS&C completes migration

SS&C Technologies has completed its collaborative project with Systematica Investments to give the fund complete operational independence.

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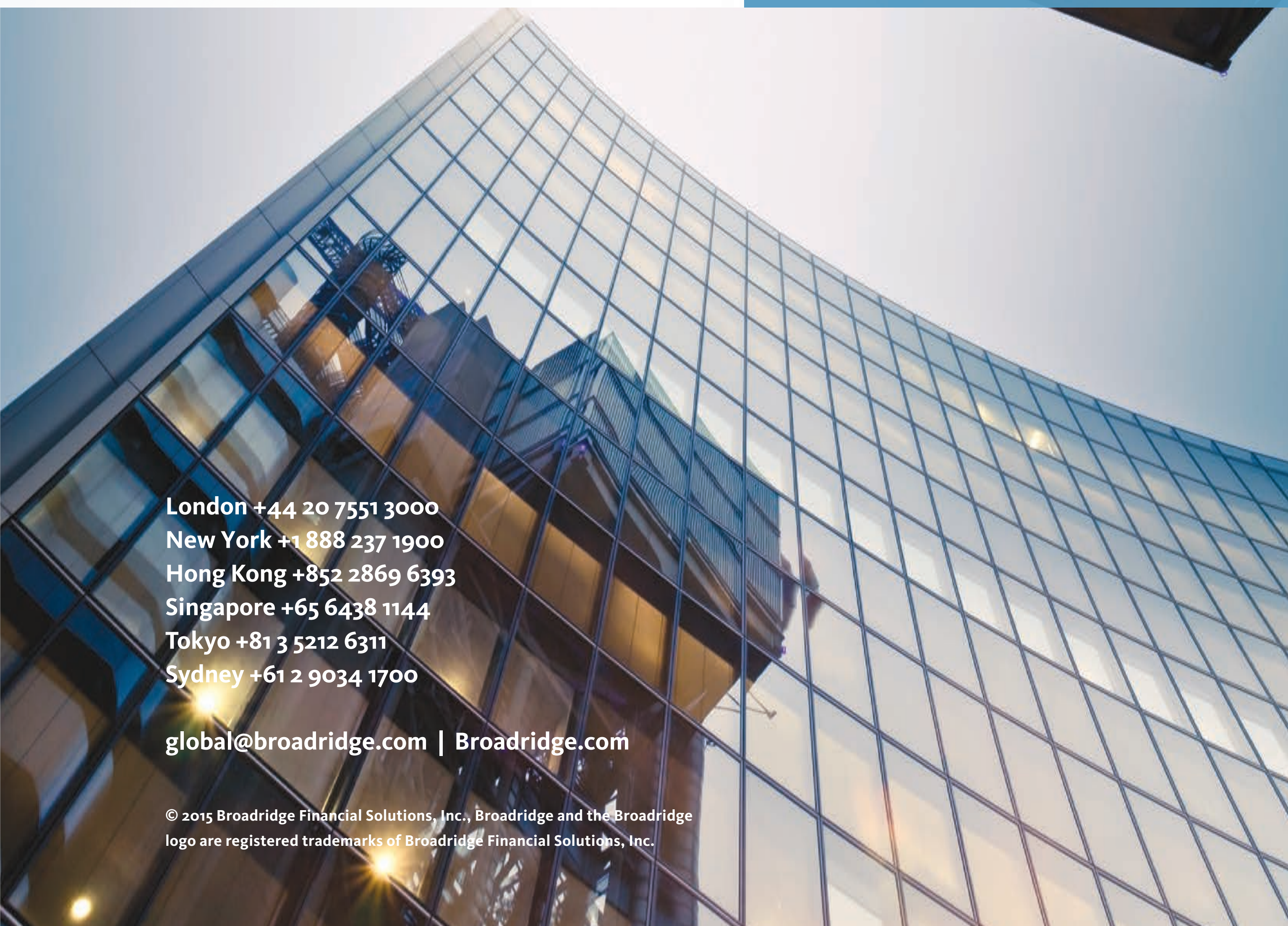

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Systmatica Investments approached SS&C at the beginning of 2015 to build an independent platform and to migrate its middle- and back-office services within a six-month timeframe.

Systematica Investments, launched in January 2015 by Leda Braga, focuses on applying science and technology to the investment management process. The firm manages approximately $8.5 billion across a number of futures and equity based strategies.

Matt Kilsby, COO of Systematica Investments, commented: "SS&C's knowledge of our business with fund conversions, coupled with the commitment and determination of our own team, was critical in the success of this project."

"We relied on SS&C to be our partner throughout this process and their comprehensive solution allows our focus to be on delivering systematic and technology-driven investment solutions to the market."

The project intends to help Systematica Investments to achieve improved operational efficiencies, and to use SS&C's platform and experience to improve product coverage.

Bill Stone, chairman and CEO of SS&C Technologies, said: "The Systematica project represents a significant fund conversion, consolidating both middle-office services and fund administration."

Nigerian and Kenyan CSDs in post-trade agreement

Africlear Global has signed a memorandum of understanding with Nigeria's Central Securities & Clearing System (CSCS Nigeria) and the Kenyan Central Depository & Settlement Corporation (CDSC Kenya), to establish a post-trade services platform, including clearing and settlement for capital market transactions between Nigeria and Kenya.

The platform is designed to give central securities despositories better risk management and capital efficiency through multilateral netting and a simpler initial and variation margin exchange.

It will create an integrated, secure and efficient post-trade environment for cross-border clearing and settlement for Nigerian and Kenyan capital market transactions.

Rose Mambo, chair of Africlear and CEO of CDSC Kenya, said: "We have been working with the post-trade community and other industry stakeholders to design the most effective way to achieve cross-border clearing and settlement."

She added: "By linking the clearing and settlement functions of CSCS Nigeria and CDSC Kenya through a single, centralised platform, we will achieve significant cost benefits and improved economies of scale whilst developing a standardised post-trade environment."

Kyari Bukar, a director of Africlear and managing director and CEO of CSCS Nigeria, said: "The envisaged platform not only enhances our ability to facilitate cross-border clearing and settlement, but also streamlines transaction processing cycles and centralises risk management protocols through the use of scalable, robust open-industry architecture."

Bukar added: "It will reduce transfer charges, eliminate excessive FX commissions and manage risk exposure across asset classes."

Africlear was founded by CDSC Kenya, CSCS Nigeria and Altree Financial, with the aim of improving African securities market infrastructure. Providing IT and support to African CSDs, it allows them to offer a greater variety of services, while reducing the underlying costs of acquisitions and system maintenance.

Anthony Fischli, an Africlear director and chairman of Altree Financial, said: "We believe this platform will streamline transaction processing cycles and centralise risk management protocols in the post-trade environment. This will increase intra-Africa trade and financial integration across the region."

Taurus acquires PFX-PAXUS

Taurus Administration Services has acquired Pacific Fund Systems's PFS-PAXUS fund accounting and share registry platform as part of its expansion in to the European fund administration market.

The alternatives market is expected to grow in Europe as a result of the Alternative Investment Fund Managers Directive (AIFMD). Taurus will target start-up funds and those of less than $100 million, which are often overlooked by larger fund administrators.

Taurus is a subsidiary of the Managing Partners Group (MPG), and currently acts as administrator for a portfolio of hedge funds, mutual funds, UCITS funds and other funds with segregated portfolios.

Nicholas Calleja, chief financial officer of MPG, said: "Thanks to the AIFMD the alternatives market in Europe is now potentially huge—the fund industry is gearing up to deal with demand for alternatives pursuant to the directive. However, most of the fund administrators in the market are so large they have no interest in start-ups or funds with less than $100 million."

"A lot of boutique managers that struggle to find administrators still want to grow in size and Taurus is extremely well placed to provide the services they need."

He added: "The selection of PFS-PAXUS has been mainly due to the integrated nature of the system where the share registry is fully integrated with the system's general ledger. We are focused on growing our business and in deploying PFS-PAXUS we are confident that this strategic decision will assist us in doing so."

Taurus has already been appointed as administrator for three alternative investment funds. It has seen its assets under administration grow from $80 million to $192 million over two years and across 11 funds.

Wipro to acquire Viteos for $130 million

Business process services (BPS) provider Wipro has signed an agreement to acquire Viteos Group for $130 million.

Viteos provides business process as a service for the alternative investment management industry, offering customised straight-through processing (STP) and integrated post-trade operations across asset classes, currencies and structures for managers in the US, Europe and Asia.

Founded in 2003 and based in Somerset, New Jersey, the firm also offers shadow accounting services and other middle- and back-office outsourcing solutions. Its proprietary platform offers transformation and integration of post-trade operations, and can be used to launch solutions across other areas of capital markets.

Wipro provides BPS to global investment banks and specialises in platform-led transformations and utility offerings in reconciliation, know-your-client, and middle-office and asset servicing.

The acquisition is intended to add additional capabilities to Wipro's buy-side offering.

While retaining its own branding, Viteos will have the backing of Wipro to expand to the wider asset management industry. The Viteos management team will continue to drive the platform-based outsourcing business services.

According to Shankar Iyer, CEO and founder of Viteos Group, the decision was based partly on Wipro's ability to expand Viteos's market reach while also retaining its "entrepreneurial characteristics".

Iyer said: "We are excited to be part of a trusted global leader and the transaction is a further recognition of our value, and validation of our commitment to deliver excellence through our investments in people, process and technology."

The new block and chain

Blockchain seems to be a lot of work for something that doesn't desperately need improvement, according to Diana Chan of Euro CCP

What place does blockchain have in clearing and settlement?

The key question is whether blockchain will replace central securities depositories (CSDs). CSDs were created in order to immobilise or dematerialise securities, so that ownership could change through book entry on a CSD's computer system. In 1989, a report was published by the Group of Thirty advocating the creation of CSDs, and in the decade that followed just about every market had completed the shift from exchanging paper certificates to electronic settlement at CSDs.

In many countries, legislation was passed to recognise the legal status of electronic records in CSDs, so the regulatory framework is sound, assets are safe, and investors' rights are protected even though there may be a chain of intermediaries acting on their behalf. All of that involves settlement within the records held at CSDs and has served the market well for several decades now. There have not been securities gone missing, and if there is a surge in volumes there is no massive problem that causes settlement to grind to a halt. Each customer has an account and receives statements that can prove their transactions, and everything that happens within the books of the CSD is traceable. With blockchain, we have to ask what value it brings to this process. What do we not have now that blockchain can deliver? And what is not working now that blockchain can improve? Because, crucially, any change means investment and the benefits should outweigh the costs.

Is there anywhere that the technology could be beneficial?

We should be looking at where the market doesn't work as efficiently as it could and where blockchain could make a real difference. For example, over-the-counter (OTC) derivatives contracts can be created at any time, are non-standardised and are not immobilised at CSDs. Blockchain technology could conceivably facilitate lifetime servicing and transfer of ownership of these contracts. With securities, particularly in listed and publicly traded equities, companies' shares are already in existence and sitting in a CSD—and these vastly outnumber new companies coming to market. If a new technology is introduced, it could be difficult to get the whole market to convert. Questions that must be asked include: would we have two types of shares for one company for a while—one in blockchain format and one in traditional format? How would shareholders convert from one type to another when they buy and sell? What if some market participants don't want to make that investment? Should they be forced to? It seems to be a lot of work for something that doesn't desperately need improvement.

Are the banks willing to put up the investment?

A number of banks are coming together to form working groups and consortiums to work on potential applications and industry standards with regards to blockchain, which is a good thing. The industry could struggle to come to a consensus on industry standards, but there are some very bright minds working on blockchain now. I am optimistic that something good will come out of these discussions, which could make the market safer and more efficient.

Eliminating the need for reconciliations between intermediaries has been put forth as a potential area of major savings. However, every intermediary adds its specific value in the service chain—the data one firm receives as input is processed and enriched before an output is sent to the next service provider in the chain. Each intermediary is not necessarily dealing with the same information and, besides, each intermediary's process also updates its own internal books and records. Reconciliation usually means making sure that external and internal records agree. Therefore, it is difficult to see how reconciliations can be completely removed by blockchain.

Could technology improve the accuracy of that data?

Absolutely, but if each intermediary transforms the data in some way then, although it's accurate, the data is no longer the same. Ultimately, the root of the title is in the CSD, because this is where all the securities are held. If blockchain is nothing more than a big database in which multiple intermediaries have permission to view a record, and where one bank can give different clients different permissions to see the data in their own accounts, then, actually, that technology already exists today. It's simply about giving different levels of access authority.

But actually, every intermediary has to process data for its clients, adding valuable information, and that will always need to be done. **AST**

> ***The industry could struggle to come to a consensus on industry standards, but there are some very bright minds working on blockchain now***

Diana Chan, CEO, Euro CCP

Investing in relations

With regulations at the forefront of investors' minds, easier proxy voting can offer both peace of mind and efficiency, says Broadridge's Patricia Rosch

What is unique about the Broadridge proxy voting service?

Proxy voting is growing in importance as a way for shareholders to communicate with the companies they invest in. As more and more investments are cross-border, the complexity of connecting issuers and investors across multiple jurisdictions is increasing. Broadridge connects global custodians, and their institutional and pension fund clients, with corporate issuers around the world using scalable local solutions.

We offer global proxy distribution, meaning we send documents electronically to institutions so that they then have the opportunity to vote their proxies in a timely, efficient and accurate manner. Those votes come back to Broadridge and we tabulate, record and communicate the results.

The feedback from global custodians is that they would like to outsource more of the proxy process, as well as some of the functions that would have previously been completed in a local market by sub-custodians. Broadridge is now able to offer an end-to-end proxy solution, with new services including direct agenda sourcing, translation into English, execution of vote instructions in local markets and recording meeting attendance. We will still drive the proxy distribution and conduct vote collection, but as part of our Direct Market Solutions, we've added these additional functions at the beginning of the process and at the end.

What were the main drivers for this development?

There were two main drivers—the first is the significant market change in Europe that came with Target2-Securities (T2S). T2S necessitated changes related to things such as collateral management, but proxy is also a key component. It is much more efficient for global custodians to pick a single-source solution provider, so Broadridge has applied its local market expertise to develop direct market solutions.

We have seen interest in direct market solutions in countries like Australia and Hong Kong, proving that the straight-through-processing model is not only applicable in Europe, but it also addresses the demand for efficiency from clients around the world.

The second driver is that market participants are looking for operational efficiency. We have made considerable investments in over 100 different markets, and are able to offer a one-stop shop for these services.

In the past, local custodians and sub-custodians may have either developed their own versions of this, or relied heavily on manual processes or procedures. Direct market solutions deliver automation and a managed service allowing those companies to benefit from that scale. That means that when there are further changes in the market, we manage them and our clients can focus on their businesses.

What kind of benefits do the institutional investors see?

Every local market is different, so we have to be able to work effectively with particular market participants. For example, we have a joint venture with the Tokyo Stock Exchange called Investor Communications Japan (ICJ). Here, we are working with the central securities depository and the other market participants to connect investors worldwide to the Japanese issuer community.

We have had a relationship with the Tokyo Stock Exchange since 2004. At that time, investors had to submit their votes 10 days before the meeting date, and we have now reduced that to one day. The more time an institutional investor has to review the materials, the more effective their decision-making can be, and that has been very well received by investors around the world. From an efficiency perspective, we are always looking at how we work with the market participants to benefit issuers and institutional investors as well as custodians, and ensure that we're facilitating better proxy distribution and voting.

As proxy voting is made easier, are you finding more investors are using their votes?

Definitely. Every year we see an increase in votes. Globally, we saw a 12 percent increase in shareholder voting last year, and that's good for public corporations and good for corporate governance. The joint venture in Japan actually came about in order to generate more cross-border investment by making proxy voting easier, so the impact on capital markets can be really positive. The newly introduced Japanese Corporate Governance Code encourages participation in ICJ as a means of improving governance through a more efficient and effective proxy model.

If a market wants to increase foreign investment, it has to be able to demonstrate a good governance infrastructure. Investors will be more willing to invest in markets where they know the regulatory framework, and processes to support it, exist. Vote entitlement and annual meetings are a big part of that.

Good corporate governance means more transparency, which means more investment. If people are confident in a jurisdiction, they will invest there, and that is what we have seen in Japan.

> ***If people are confident in a jurisdiction, they will invest there***

There has also been more and more importance placed on understanding the proxy process, and vote entitlements are now taken very seriously. Today, when we ask global custodian clients what their priorities are, proxy voting is one of them, because institutions want to show their clients that they're investing responsibly.

Understanding market changes and business drivers, like the need for greater operational efficiency, ensures that solutions that enable cross-border proxy processing continue to evolve to meet participants' needs. **AST**

Industry Events

16th Annual Holistic Approaches to Collateral Management in the New Regulatory Environment

Date: 08-09 February 2016

Location: London

This Marcus Evans conference has been created exclusively to tackle the issues in collateral management especially in the new regulatory environment.

Middle East Securities Forum 2016

Date: 15-16 March 2016

Location: Hilton Doha

This is the definitive Middle Eastern event for the capital markets with an unrivalled programme featuring leading regulators, custodians, asset managers, influential investment consultants and a superb line-up of industry experts.

Comings and goings at BBH, IFDS and more

Paul Andrews has been appointed as secretary general of the International Organization of Securities Commissions (IOSCO), succeeding David Wright, who has been with IOSCO since 2012.

Andrews is currently vice president and international managing director at the Financial Industry Regulatory Authority (FINRA), where he has served for 17 years. He will take up his new position in March 2016 for a three-year renewable term.

Andrews already represents FINRA at IOSCO, sitting on the regulatory advisory committee of the Affiliate Members Consultative Committee (AMCC). He is also chair of the AMCC task force on risk.

In addition, Andrews is chair of the International Forum for Investor Education—a global organisation for improving investor education across jurisdictions.

Wright said: “I wish Andrews every success in his new function as secretary general of IOSCO. He is an excellent choice to take IOSCO forward over the next years.”

BBH’s new head of diversity, **Chris Michel**, is based in New York

Brown Brothers Harriman & Company (BBH) has appointed **Chris Michel** as head of diversity and inclusion.

In his new role, Michel will build programmes to advance the firm’s inclusive culture, expand its diversity and grow its external brand in diversity and inclusion efforts.

He will be based in New York and will report to BBH partner, Kathryn George.

George commented: “We are pleased to welcome Michel to BBH and we are confident his wealth of experience will catapult us forward in our efforts to ensure an inclusive culture that is stronger as a result of our differences.”

MUFG Investor Services has appointed **John Sergides** as managing director and global head of business development and marketing.

The hire coincides with the completion of MUFG Investor Services’s acquisition of the UBS Asset Management Alternative Fund Services (AFS) business. Previously, Sergides served as global head of sales at UBS AFS.

Ken McCarney, CEO of fund servicing business lines under MUFG Investor Services, commented: “With his experience and expertise, [Sergides] is perfectly placed to lead our business development efforts and provide clients with a comprehensive and customised solution, underpinned by our market leading technology platform.”

Blockchain tech developer Digital Asset has added **Cristóbal Conde** and **Chris Church** to its board and management team.

Conde is set to become non-executive board director while Church joined as the chief business development officer.

Blythe Masters, CEO of Digital Asset, said: “The financial services industry is undergoing a period of technological and regulatory change and it is more important than ever to have veteran leaders with diverse experiences to help drive innovation.”

The new managing director of UK funds at IFDS, **Chris Spencer**, will work out of Essex

International Financial Data Services (IFDS) has hired **Chris Spencer** and **Richard Barrett** to its UK senior management team.

Spencer will be managing director of UK funds. He joined IFDS in 2004 as director of client relations, and has previously held senior operations and client-facing roles at Fidelity Investments and Govett Investment Management.

Barrett is the new COO for UK funds at IFDS. He joined the firm in 2008 as director of operations, and has held previous positions at Pershing Securities and Fidelity Investments.

In addition, **David Moffat**, group executive of IFDS will now lead the strategic response to regulations, with an initial focus on MiFID II.

Paul Roberts, CEO of funds at IFDS, said: “These key appointments are in direct response to the ongoing needs of UK funds’ clients.”

He added: “The changes will strengthen our ability to meet our clients’ and their customers’ needs and better prepare us to deal with the ever-changing regulatory environment.”

SS&C has hired **Chris Whiting** as senior director and leader of its new advisory relationship management team.

Whiting joins from Moneta Group, where he was COO. Before this, he spent 20 years at A.G. Edwards, now a part of Wells Fargo Advisors, where he managed technology initiatives and integration.

He will now report to Dave Welling, senior vice president and managing director of the SS&C advisory market group.

Welling said: “The vision of SS&C’s new advisory market group is to align our business around what our clients do rather than around what products they use.”

He added: “Whiting is the outstanding candidate to lead our efforts to strengthen and enhance the level of engagement with our advisory client base.”

GFT has hired **Paul Harrington** to its legal, regulatory and compliance team as principle consultant.

GFT’s **Paul Harrington** adds to the firm’s regulatory expertise in London

Harrington will focus development and delivery of the GFT Regulatory Change Management Solution, a service that identifies regulatory coverage requirements for institutions, and interprets and reviews their current practices.

Before joining GFT, Harrington was head of operations and controls at NetOTC, and he has also served at Morgan Stanley, where he was executive director and head of global network management for Europe, the Middle East and Africa.

Tony Sodhi, head of the legal, regulatory and compliance team at GFT UK, said: “We are delighted to welcome [Harrington] to the team.”

“There is no doubt that we are in a period of cultural change when it comes to regulation in the industry, and [his] experience of managing such change will be invaluable. [Harrington] has extensive experience in key areas that will help to create and drive solutions for our clients.”

Selu Mdlalose joins First Names Group as associate director in the Isle of Man

First Names Group has appointed **Selu Mdlalose** as associate director in the Isle of Man, effective immediately.

He joins from corporate and trust service provider Senate Limited, where he was managing director. He has also worked in senior financial management roles at Deloitte, and held positions at Willis Management and Bradford & Bingley International.

At First Names Group, Mdlalose will work closely with client service directors Mark Lewin and Craig Brown, and will focus on developing the group’s client base in Africa, with a focus on East and West Africa. He will report to Gary Hepburn, managing director for the Isle of Man.

Mdlalose said: “First Names Group is very well-known and respected in the Isle of Man, so I am delighted to have been given the opportunity to become part of it. I look forward to contributing to the continued growth of the business while upholding its reputation for exceptional, people-focused client service.”

Hepburn said: “It is with great pleasure that I welcome [Mdlalose] to the team. He is a highly skilled practitioner with invaluable hands-on experience behind him, and I am confident his knowledge and expertise will be a great asset to the group—in particular as we continue to develop business in Africa” **AST**

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