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Prepare for PRIIPs or pay later

Asset managers should pay attention to packaged retail and insurance-based investment products (PRIIPs) regulation, or risk more costs in the long run, according to Paul North, head of product management for asset servicing in Europe, the Middle East and Africa at BNY Mellon.

According to North, although a lot of the documentation required for PRIIPs overlaps with that required for the Markets in Financial Infrastructures Directive (MiFID) II, many asset managers are treating MiFID II as a priority and failing to take action on PRIIPs.

Those managers that go ahead with their MiFID II projects without considering PRIIPs, and the subsequent changes to key investor information documents (KIIDs), "could incur additional work and costs", said North.

Citing the benefits of integrating PRIIPs into MiFID II preparations, North pointed out the changes in what has to be communicated to end investors under PRIIPs. Product manufacturers will have to create a key information document (KID), and KIIDs, which are already required for UCITS funds but are restricted to two pages, will be allowed to be longer and broader, depending on the complexity of the strategy.

"For large firms the benefits gained from integrating PRIIPs into MiFID II programmes may be considerable," said North.

"MiFID II places significant emphasis on cost transparency, requiring details which go beyond the single ongoing charges figure currently listed on KIIDs. MiFID II also requires that asset managers clearly define their target market and specify how the product is aligned to these clients and their needs."

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Blockchain breakthrough for Nasdaq Linq

Nasdaq has completed the first private securities issuance using blockchain ledger technology.

The 'proof of concept' use of the technology could reduce risk exposure by 99 percent, according to Nasdaq.

The Nasdaq Linq blockchain ledger technology was used to complete and document a securities transaction between the issuer, blockchain developer Chain.com, and a private investor.

Using Nasdaq Linq, issuers can digitally represent a record of ownership, removing the need for paper stock certificates, while both issuers and investors have the ability to complete and execute subscription documents online, reducing administrative burden.

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Fidessa's Asia trading solution is a success

Maybank Kim Eng, the investment banking arm of Maybank, has gone live on Fidessa's equities order management and execution platform, providing an Asian trading solution for the bank's global clients.

The fragmented Asian marketplace means that some firms run different local systems for each market, which can lead to challenges in providing smooth regional trading, according to Fidessa.

Through the Fidessa platform, Maybank Kim Eng can allow its global institutional clients to trade across Asia through a single system.

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Prepare for PRIIPs or pay later

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The deadline for KIIDs to be updated is January 2018, however, North suggested that firms are not putting in the early preparations that they should be.

"Whilst the deadline seems far away and, with PRIIPs regulatory technical standards still to be finalised, a lack of clarity is causing asset managers to push compliance programmes back," he said.

"Asset managers must focus now on establishing what products they offer and what documentation they need to support their distribution model. The new KID will also need to sync up with other marketing literature, including contract notes, statements and prospectuses."

He added: "The industry needs clarity from the regulator and an appropriate timeframe in which to assess the requirements of the impending regulatory technical standards, and act accordingly.

The amount of paperwork and communication that needs to ripple through the industry, from manufacturers to promoters to distributors and out to the end investor, is extensive."

North concluded: "Asset managers face the additional burden of renegotiating distribution agreements under MiFID II. The cost of this work is considerable, and could spiral out of control if managers to do not combine PRIIPs requirements with the work they are doing for MiFID II."

Blockchain breakthrough for Nasdaq Linq

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According to Nasdaq, this use of blockchain could reduce trade clearing and settlement times from the current standard of three days to about 10 minutes, and could reduce risk exposure by up to 99 percent.

This milestone could also pave the way for trade settlement transactions using blockchain in public markets.

Bob Greifeld, CEO of Nasdaq, said: "We believe this successful transaction marks a major advance in the global financial sector and represents a seminal moment in the application of blockchain technology."

"Through this initial application of blockchain technology, we begin a process that could revolutionise the core of capital markets infrastructure systems. The implications for settlement and outdated administrative functions are profound."

Chain.com CEO Adam Ludwin said: "We couldn't be happier with the results of the transaction. It was seamless and met our objective of drastically reduced manual ownership transfer."

Fidessa's Asia trading solution is a success

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The platform is designed to deliver a more responsive financial information exchange (FIX) client on-boarding environment, more advanced programme trading, and more timely and valuable execution services.

Key traders in 10 different countries have rolled out the platform simultaneously, with all clients successfully migrating to the new system.

The move is intended to aid Maybank Kim Eng's regional and global growth, while Fidessa was selected on the strength of its technology.

"It is important for Maybank Kim Eng to offer the best possible capabilities to both local and global clients wanting to do business in Asia," said Ami Moris, regional head of equities at Maybank Kim Eng.

"This new Fidessa technology allows us to on-board clients rapidly and systematically execute across the Asian markets, with a core focus on [The Association of Southeast Asian Nations], with rich information flowing back to the clients. The implementation is a key milestone in our strategy to offer best execution to clients in Asia."

She added: "For us, the solution offers the flexibility and scalability we need. By working in an ongoing and collaborative partnership with an innovative [financial technology firm] like Fidessa, we can concentrate on ensuring service excellence to clients as well as strategic business expansion throughout Asia."

Jean-Pierre Baron, managing director for Fidessa in Asia, said: "Partnerships such as this one with Maybank Kim Eng have raised the functional coverage of our system, particularly with regards to pre-trade risk checks and synchronisation with local rules. We are happy that this implementation has completed on time and the system can now be used with confidence across Asia."

ESMA to cooperate on non-EU CCPs

The European Securities and Markets Authority (ESMA) has established agreements with Canadian and Swiss regulators to cooperate regarding central counterparties (CCPs) that have applied for EU recognition under the European Markets Infrastructure Regulation (EMIR).

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Three memoranda of understanding include agreements on the exchange of information, and refer to CCPs that are established, authorised or recognised in Alberta, Manitoba, Ontario, Quebec or Switzerland.

EMIR rules allow for cooperation arrangements between ESMA and non-EU authorities, as long as those authorities' legal frameworks have been deemed by the European Commission to be equivalent to EMIR.

The agreements are already effective, with the exception of the arrangement with the Ontario Securities Commission. This will come in to force in Ontario upon further endorsement required by local legislation.

CFTC to discuss blockchain potential

The US Commodity Futures Trading Commission (CFTC) Technology Advisory Committee will hold a public meeting addressing blockchain and the potential applications of distributed ledger technology in the derivatives market.

The committee will also discuss the CFTC's proposed regulation on automated trading and standardisation and harmonisation of swap data on 26 January.

The meeting comes after the CFTC ruled in September that bitcoin and other virtual currencies are commodities, and as such are covered by the Commodity Exchange Act. It then ordered a bitcoin trading platform operator to stop offering bitcoin options.

Members of the public are invited to submit any statements in connection to the meeting in advance, and the public is also invited to attend the meeting on a first-come first-served basis.

The meeting will be available to listen to through a toll-free phone number, and a transcript will be published afterwards.

Year of exchange-traded products for London Stock Exchange

London Stock Exchange has reported a strong year for fund listings in 2015, with proceeds up 22 percent compared to 2014, and an 82 percent increase in listings for exchange-traded products.

The exchange continued to see demand for exchange-traded funds (ETFs), with 221 new exchange-traded product (ETP) listings, 82 percent more than in 2014.

There are now 861 ETFs trading on the London Stock Exchange, making it the largest European venue for ETFs. In 2015, the total on-exchange value traded for ETFs and ETPs reached £234.9 billion through 3.1 million trades.

Last year saw the 20th anniversary of the stock exchange's alternative investment market (AIM). Since its launch, more than 3,600 companies have joined AIM, collectively raising more than £95 billion.

In 2015, London Stock Exchange launched its green bond segments, offering more options for green bond issuers. In total, 25 green bonds were listed, amounting to £3.1 billion.

In June, the International Finance Corporation (IFC) issued the first renminbi-denominated green bond in London, and in August IFC issued a bond to fund Indian Yes Bank investments in climate change projects, raising £31 million.

Shanks Group launched the first retail bond in the green bonds segment, and Transport for London transferred its first green bond on the green bonds segment.

Nasdaq launches Tel Aviv support system

Nasdaq has paired up with the Tel Aviv Stock Exchange (TASE) in a new venture to support private growth companies in Israel.

The venture will offer strategic counselling and mentoring to private companies, and add a secondary market for liquidity events and debt financing services.

Nasdaq vice chair Sandy Frucher, said: "Our collaboration to build a private market to support regional growth companies will also enhance Tel Aviv as a capital markets hub."

"Our own successful history creating public and—recently in the US—private markets only underscores our sincere commitment to developing this new and exciting venture. We look forward to a long and successful partnership with TASE."

On top of this, TASE has agreed to use Nasdaq's Genium INET technology for trading across different asset classes, including equities, derivatives, bonds, fixed-income and commodities.

Use of the technology is intended to support the exchange's focus on expanding its business and product offerings, both on a domestic and international basis. It also means TASE will be adopting technology in line with international best practices.

Frucher said: "We are proud of this important agreement with TASE, which brings both technology and innovation together in a very ambitious way."

TASE CEO Yossi Beinart said the agreement is good news for both the stock exchange and the Israeli economy.

"For the first time we can offer Israeli companies a real solution to challenges in their growth and give them a real alternative to an exit, so that they will continue to operate as independent companies with significant operations in Israel," he said.

"The new joint market will offer various models for raising capital to companies not yet ripe to go public and to be a bridge for their desire to continue development in Israel and later in markets worldwide."

Nasdaq's exchange technology is now in use in more than 100 markets across the Middle East, Asia, Africa, Europe and the Americas.

11 Superior Bank bosses charged with fraud

The US Securities and Exchange Commission (SEC) has charged 11 former executives and board members of Superior Bank and its holding company with fraud.

The 11 are accused of being involved in various schemes to conceal the extent of the bank's loan losses after the financial crisis.

According to the SEC's allegations, the fraud involved some of the largest loans in the bank's portfolio. High-ranking officers and directors are accused of deliberately misleading investors and regulators by 'propping up' the bank through straw borrowers, insider deals and false appraisals.

Schemes allegedly included using appraisals that were several years out of date, overstating the value of loan properties and presenting inaccurate or unviable projected future uses of loan properties.

The SEC draws specific attention to the extension and renewals of bad loans, in order for the bank to avoid impairment and to avoid reporting allowances for loan and lease losses in its financial accounts.

The commission alleges that Superior Bank overstated its income in public filings by as much as 99 percent in 2009, and by 50 percent in 2010, before it collapsed in 2011.

Andrew Ceresney, director of the SEC's enforcement division, said: "Accurate and fair reporting of loan impairment is of paramount importance for financial institutions during periods of severe financial stress."

He added: “Superior’s senior-most officers and certain directors allegedly engaged in a widespread and egregious accounting fraud by concealing significant losses from loan impairments.”

Walter Jospin, director of the SEC’s Atlanta regional office, added: “We allege that pervasive fraudulent behaviour rippled through the executive offices at Superior Bank in a calculated effort to mislead investors on the amount of loan losses and disguise the bank’s flailing financial condition.”

Nine of the 11 former officers and executives have agreed settlements with the SEC under which they neither confirm nor deny the charges. They are all permanently barred from serving as officers or directors of a public company.

Among these are former CEO and chairman of Superior Bank’s holding company, Superior Bancorp, Charles Bailey, who will pay a penalty of $250,000. Penalties for the other officers and executives range from $100,000 to $200,000.

Superior Bank’s former CEO, Charles Scott, chief credit officer, John Figlewski, and president, George Hall, have agreed to bifurcated settlements, and so their penalties will be decided at a later date.

Two of the charged, Kenneth Pomeroy and William McKinnon, are contesting the complaint. Pomeroy was president of Superior Bank’s central Florida region and McKinnon was senior vice president and commercial loan officer. Both are contesting the SEC complaint filed in the federal district court in Tallahassee.

New Asian addition to Allfunds Bank Insight List

Allfunds Bank has added a Mirae Asset Management fund to its Insight List, marking the first new addition of 2016.

The list is designed to help wealth managers estimate what might come about in any particular sector. Researchers assess funds and groups, using subjective methodologies and past figures in order to predict future outcomes.

According to Allfunds, The Mirae Asset Asia Sector Leader Equity fund is well positioned to capture growth opportunities in Asia, and to respond to trends, by investing in sector-lending companies.

The fund has been added to Allfund Bank’s High Conviction list, by virtue of its bottom-up concentrated approach and alternative exposures to Asia ex-Japan equities. Its volatility has remained consistently lower than the index, and it has a quality and growth bias in the large- and mid-cap space, meaning it is well placed to capture the rise of the middle classes in Asia.

Enrique Pardo, global head of Investment Research at Allfunds Bank, said: “Performance attribution analysis shows that the Mirae manager’s stock selection has been consistently able to generate alpha, even when asset allocation was detrimental.”

“We attribute that to the fund’s agility in capturing changing trends in a fast evolving environment, due to the strength of its fundamental analysis and research team.”

The fund also has a good three-year track record, with assets under management reaching $500 million.

According to Pardo, 2015 was “challenging and disappointing” for emerging equities as an asset class, leading many investors to exit emerging markets, and causing further depression of the asset class.

He said: “Some of the largest and most established funds faced the biggest challenges in adapting to constantly evolving market conditions. In contrast, some smaller local funds weathered the volatility far better, being more flexible in their responses.”

GFT launches blockchain commodities app

Business consulting and software service provider GFT has launched a prototype app for commodities using blockchain technology.

The new commodities consensus computing app demonstrates how to track physical commodities assets using a distributed ledger business model, in a bid to create more control over physical inventories, helping to prevent fraud in the commodities market.

The app is designed to reduce the opportunity for fraud by identifying ownership and location of physical commodities early in the trading process. The technology can also improve management of the data and attributes associated with each asset parcel.

According to GFT, the technology could bring significant value to commodities market participants, especially if providing proof of ownership and location are important to their operations.

The app was developed by GFT’s ongoing ‘Project Jupiter’, which supports disruptive business ideas and puts forward solutions around blockchain technology. The project produces prototypes of potential blockchain solutions, demonstrating opportunities for market evolution.

It was also supported by GFT’s think-tank, create@GFT, which analyses and reviews new ideas and concepts.

Commodities specialists reviewed the front-to-back processes for bringing commodities to market, including mining and refining, warrant trading and settlement, and identified an opportunity for blockchain to be used to transform the current business model.

Nick Weisfeld, joint head of GFT’s UK data practice, said: “GFT recognises that, while blockchain has the potential to transform how people do business and cooperate with one another, such improvements cannot be made with technology alone.”

“The current blockchain phenomenon has encouraged traditional industries with rigid and established legacy processes to look at how they do business though a new lens, promoting some truly disruptive thinking. At GFT, we encourage all consultants working on active client engagements to explore their ideas and to not be limited by traditional modes of operation or convention.”

New solution for Chinese reporting

Wolters Kluwer Financial Services has released a new solution allowing financial institutions that operate in China to comply with the China Enterprise Credit System (ECS) reporting standards set by the People’s Bank of China (PBOC).

The Enterprise Credit Solution gathers commercial and corporate banking data directly from a bank’s core systems and creates forms that include the appropriate regulatory data.

Once this data is confirmed, the software creates files in the correct format for submitting reports to PBOC.

Chris Puype, managing director for the Asia Pacific region at Wolters Kluwer Financial Services, said: “This solution reinforces Wolters Kluwer Financial Services’ commitment to the fast-developing Chinese market and we are excited to offer our growing range of clients active support of PBOC regulatory reporting.”

According to Wolters Kluwer, the ECS process can also help banks to get a broader view of their finances and to improve their credit risk management.

Ethan Feng, a China banking regulatory

intelligence expert at Wolters Kluwer Financial Services, commented: “Enterprise information obtained through ECS can help reduce information asymmetry between the bank and enterprise as much as possible and assist banks in their credit risk assessment so as to improve their risk management systems.”

Clearstream reveals positive figures for 2015

Clearstream has reported generally positive results for December 2015, and for the last year as a whole, including significant increases in assets under custody and domestic settlement transactions.

In December, the value of assets under custody saw a 6 percent increase, reaching €13.3 trillion compared to €12.5 trillion in December 2014.

Securities held in the international central securities depository increased by 8 percent to reach €7.2 trillion, compared to €6.7 trillion in December 2014. Those held locally in the German central securities depository (CSD) increased by 4 percent to reach €6 trillion, compared to €5.8 trillion in December 2014.

For 2015 as a whole, the average value of assets under custody was €13.3 trillion. This represents an increase of 9 percent over the 2014 average of €12.2 trillion.

Clearstream’s settlement business processed 3.5 million international transactions in December 2015, a decrease of 2 percent compared to December 2014, which saw 3.6 million transactions.

Of all international transactions in December 2015, 83 percent were over-the-counter (OTC) transactions, and 17 percent were registered on the stock exchange.

In 2015, Clearstream processed a total of 44.1 million international transactions, 1 percent more than 43.7 million in 2014.

In December 2015, 7.8 million settlement transactions were processed on the domestic German CSD, an increase of 5 percent over December 2014, which saw a total of 7.4 million. The majority of these, 62 percent, were stock exchange transactions, while 38 percent were OTC.

In 2015 as a whole, Clearstream processed 94 million settlement transactions domestically, a significant 14 percent increase over the 82.7 million domestic transactions in 2014.

In its investment fund services business, Clearstream saw a slight dip of 4 percent, from 820,000 transactions in December 2014 to 790,000 in December 2015.

However, in 2015 as a whole, the business registered an increase of 11 percent, processing 9.7 million transactions in 2015, compared to 8.8 million in 2014.

CACEIS chosen for French private equity fund

Quaero Capital has selected CACEIS to provide its first French professional private equity fund with middle-office, depository and accounting services.

The Quaero European Infrastructure Fund is a private equity fund intended to raise €200 million for financing infrastructure products.

CACEIS will provide a tailored service offering focused on the needs of the fund, in terms of fund assets and liability management.

“Choosing a depositary is a critical decision requiring a long-term perspective. As France’s leading depositary bank, CACEIS has the financial heft, services offering and expertise we need to support us in our projects in France and in Europe,” said Thierry Callault, head of business development at Quaero Capital in France.

Sapient Global Markets reveals CMRS

Sapient Global Markets has launched its new CMRS Portal, a fully outsourced version of its CMRS trade reporting platform.

The new self-service solution is intended to help firms stay on top of compliance reporting with minimal investment in integration and infrastructure.

It is designed primarily for firms with low volumes of reportable derivatives trades as, for them, the initial and ongoing costs of implementing and maintaining an in-house system are not always economically viable.

The CMRS Portal removes the need for additional staff or capital investment and automates processing, validation, matching and reporting of trade data.

It can currently support various reporting requirements in Australia, Canada, Singapore and Hong Kong, and requirements under the Dodd-Frank Act and the European Market Infrastructure Regulation.

In 2016, Sapient intends to extend the service to cover reporting rules under the Markets in Financial Instruments Directive (II) and Regulation, the Securities Financing Transaction Regulation and Money Market Statistical Reporting.

Arun Karur, vice president at Sapient Global Markets, said: “With CMRS Portal we are providing trade compliance as an outsourced self-service, without compromising on the functionality or robustness of the underlying CMRS platform.”

“CMRS Portal delivers full visibility in to the reporting process and a level of assurance at a lower total cost of ownership. It also offers the ability for firms to sign up and report trades within a matter of days, delivering a much faster time to market.”

Euroclear to work on Swedish central securities depository system

Euroclear is set to start development of its new Swedish central securities depository (CSD) system.

The new system is intended to bring benefits of standardisation to the market and to increase flexibility for participants, while also helping to ensure compliance with new CSD Regulation in force in the EU.

The change is partially a response to the new European regulatory landscape, and the pressure for CSDs and market participants to adapt their systems and operations quickly.

In order to help Euroclear Sweden to comply as effectively as possible, along with the market, it opted to create a new Swedish CSD system rather than upgrading the existing one.

The new system will be built on the same platform being rolled out for Euroclear Finland, with the additional implementation of specific Swedish requirements.

“In the medium-term, the new system, built around ISO standards, will allow our clients to harmonise and standardise their own processes, potentially leading to cost reductions,” said Niels Van Hee, head of application development of maintenance.

He added: “In the long-term, with a more flexible system, we will be in a better position to upgrade our offering and provide new services to the market.”

The system will be built on the same platform being rolled out for Euroclear Finland, with the additional implementation of specific Swedish requirements.

Work has also begun on meeting with market participants to inform them on the status of the project and the timeframe.

Discussions will involve several reference groups, with participation from Euroclear Sweden as well.

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Make way, USA

As HSBC extends its direct custody and clearing services across the pond, John Van Verre explains why the move makes sense for 2016

What were the drivers behind launching the new US direct custody and clearing service?

HSBC offers a large network with sub-custodians in various markets, and we consider that a key strength of the securities services offering. Having said that, one of those markets was the biggest in the world—the US. In the US, we were using external sub-custodians rather than our own network, which we realised was probably not the best way to go forward. We wanted to internalise as many of our clients' assets as we could, holding them as the global custodian and the sub-custodian simultaneously.

As the US is such a large market, without an internal network there we were missing a significant section of the assets that clients hold within our network. That led us to conduct a feasibility study to see what it would take for us to start up our own sub-custody operations. The US is of course a very highly regulated environment, and we wanted to make sure that we had a full understanding of that.

We have now completed the project and implemented it. It is up and running, we are processing transactions with no problems, and we have started a phased migration process to move our existing client base from external sub-custodians on to our own solution. We hope this will be completed in Q2 this year.

HSBC already offers direct custody services in other jurisdictions—what is the significance of the timing to launch in the US?

There are two main drivers. One is that clients are putting more and more focus on finding a provider that can control the end-to-end process, because it reduces the operational risk. When a client appoints a global custodian, they are becoming more interested in what percentage of assets that custodian can manage through its own network.

The other is that regulations are introducing new liability standards for global custodians with the concept of strict liability under the Alternative Investment Fund Managers Directive (AIFMD), and UCITS V looking to implement similar liability standards. That means that if you have a liability, there is an internal benefit of controlling the whole process. It gives us a better ability to manage that strict liability and to align our external client demands with our internal operational risk process.

So, the new service can offer clients more security in two ways: with the legal and regulatory protection with regards to AIFMD and UCITS V, but also by offering a strong operational process to support that. And another side to it is the cash element. We tend to talk about securities, but clients, of course, hold cash as well, and having end-to-end control of the cash management process is important, too.

Is there an opportunity here for connecting investors from emerging markets to the US market?

What we are seeing, specifically in Asia but also in the Middle East, is an increase of wealth accumulation in emerging regions. More and more, we are seeing clients domiciled in these regions starting to invest cross-border—partly because of the wealth accumulation, but also because of a relaxation of local regulations, which is allowing them an increased allocation of assets for overseas investment.

We are very well positioned in some of those regions. We are one of the strongest banks in Asia, and we have a strong client base out there, but a significant part of that investment is flowing in to the US, so, of course, having this capability in the US will strengthen our proposition to those clients in emerging markets.

In Asia, a lot of countries are developing very successfully. The overall percentage of Asian markets in the total world economy has been growing significantly over the last few decades, and is still expected to grow further.

Where does the new offering sit in line with HSBCs custody strategy?

It is an integral part of HSBC's strategy to have our own internal solution for the key markets. It's great to have a presence in various global markets, but if we miss out the largest market in the world, strategically that doesn't put us in the best position. We had to add the US to our network.

We will now have more than 50 percent of our clients' assets managed through our own network, and more than 80 percent managed either through our network or through a market infrastructure, such as an international central securities depository. That's going to make a big difference to HSBC and to our clients.

We have to look at trends in asset allocation to make sure that we are catering to what our clients are looking for and to get them in to markets that are the most relevant, from a size perspective. The US is a key market that we were missing, so it made sense for us to get our own solution in place. **AST**

"It's great to have a presence in various global markets, but if we miss out the largest market in the world, strategically that doesn't put us in the best position"

John Van Verre, Global head of custody and treasury, HSBC Securities Services

The value change

As clients and regulators become more demanding, updating the back office is now a matter of survival, says Alex Wolff of Misys

What are the major strategic challenges in the market at the moment?

There are a number of big changes underway. The margins that banks are earning are very low at the moment, and they're decreasing, so banks have to look for ways to improve their overall profitability in ways other than charging more.

They can either improve their operational efficiency or their organisational efficiency—that is, their technology and workflow. Many have already reduced headcount several times since 2008, so instead they have to look inside their businesses to their processes, to see whether they can be streamlined and automated, whether handovers can be reduced, or if fewer systems can be used.

Another issue is the increasing level of regulation, which hasn't really stopped. We have know-your-client (KYC) and anti-money laundering (AML) rules, and capital regulations from Basel III coming in. These regulations increase the level of transparency within the banks, and the level of reporting that they need to be able to do. This puts additional pressure on the systems being used. Pulling all of the required information out of the various systems can be very difficult and time consuming.

Banks need to have much more agility to access data when they need it. In the past, particularly in corporate banking, banks would operate in siloes, with each of the different systems running as its own organisation, with its own CEO and its own procedures and reporting mechanisms. That's not tenable anymore because the regulators want access to information right the way across the business. Banks need to have the ability to gather and analyse data across all the different areas of the business to get a holistic view of their operations to manage risk more effectively.

Banks have to know the details of their relationships with each customer, and their exposures to particular countries or industries. Those answers are currently extremely difficult to give because they all exist in separate systems. This is something that our systems can enable right now.

Have client expectations changed?

Another trend is around the expectations of our customers' customers, and this ultimately comes down to digital services. There is a lot of technology that exists for retail banking customers. They can make transactions online and set up new payees immediately using smart phones. However, in the world of corporate banking it still takes hours, if not days, for a corporate to set up a new client relationship with their bank.

It's partly because KYC and AML regulations are quite onerous, but it's also because banks have never invested in a horizontal layer across all of their functions to allow customers to easily interact with the systems that meet their needs. In the retail space, banking products are quite simple and low-margin, so in order to make money banks have to have millions of retail clients—it was ripe for automation from very early on.

The corporate business is traditionally more relationship-driven. The banks are conservative and not inclined to try new things very quickly. However, now that these technologies have proven themselves in the retail space, some of the leading banks are looking to see if they can use them on the corporate side as well. There was an assumption that corporate treasurers would prefer a human touch, but, actually they see what they can do with their smartphones and personal accounts at home, and wonder why they don't get that same service from their corporate banks.

Creating a digital corporate channel may not cut costs for the banks in the near term, although there is probably an efficiency gain to be had by automating the interface with customers. More importantly, it is about improving the business and providing the best service, thereby increasing the number of client transactions.

Further to this, we're seeing more use of new technology and big data. The idea here is for a bank to gather as much information on its customers using all their transactions across each one of its services. That information could be harnessed to assess risk exposure for a particular customer, but also to get a better picture of who that customer is, and how they can be better served.

Improving connectivity across all points of a relationship with a single customer can be a win-win situation. Interestingly, the industry has been talking about it for a long time, and it is working in retail banking, but again, on the corporate side it's not happening yet.

Banks are moving away from a siloed back office. What is the main driver for this?

It's partly regulation and partly to gain efficiency. Throughout the crisis, whenever there was any geo-political event, for example, the sanctions issued against Russia, each event was a crisis for banks, because risk and compliance departments would have to find any transactions that touched banks on the blacklist in Russia and stop the relationship with them.

A compliance officer would have to go into each department individually to figure out how much exposure each one had. Even with teams working around the clock, it can take several days to get that information together. It is a relatively complicated process, but banks need to get better at it.

It would be difficult to rip out all the existing core systems and replace them with a shiny new back office, and that could actually create new problems that we don't know about yet. We provide an elegant and low-cost solution in our Misys FusionBanking Payments Insulator, but we also offer a horizontal solution within Misys FusionRisk. That lets banks track their exposure across all of their systems and can give pre-trade authorisation of whether a trade will lead to exposure elsewhere.

The solution can identify exposure to a country or counterparty, or highlight undrawn commitments to a counterparty that could increase exposure in the future, while also flagging up products against them that could make capital markets exposures more complicated to calculate.

Misys is enabling its clients to address these issues without putting a whole new back-office in place. Our solutions create more connectivity in order to help banks get the transparency they need.

How important is it to get that information together quickly?

A lot can happen in two or three days. If a corporate entity banks with a big institution that sets the national standard for excellence, but it takes two days to know how much exposure that bank has to Russia, then that's not acceptable.

But the reality is that in many cases people will be manually trawling through systems to see how many relationships are affected. This kind of real-time 'what-if' analysis across all data services can be crucial to running a quick assessment of risks and exposures. Banks have to have the ability to take action.

Breaking down siloes is a big culture change in the industry. Are banks making the changes required?

Often, when the market goes through a period of change there will be some early adopters and early signs of disruption. In the case of regulations, there will be early regulators to implement new rules; those that first wake up to the changes and push them through.

Next there will be the enlightened adopters who get somewhat pulled along with the crowd, and finally, those that are dragged kicking and screaming because they no longer have any choice than to embrace the change.

Where we are now, the first real benefits are coming to light, and the first tangible threats of not changing are becoming very evident. Banks aren't earning enough return on capital, and if they want to stay relevant to investors they have to improve their platforms, their connectivity and their straight-through processing in a way that reduces costs. There is a way to do that now, and we are seeing the first proof-points that show this.

Changes also mean opportunities. We are seeing disruptors in the areas that are most ripe for disruption, such as foreign exchange (FX). There are new players, not banks, which are making the whole process of FX facilitation a lot simpler for corporates. They are applying their technologies directly, and taking customers away from the corporate banks. In order to challenge them, the banks need to disrupt from within. They need to adjust their processes and provide the services that customers have come to expect, or they risk being removed from the value chain altogether.

So there is regulation—knowing what your exposure is and being able to provide information on it; there is cost—providing services at a rate that a corporate is willing to pay, and there is the pull from the customer. That is what is causing the acceleration in innovation, and the status quo won't be viable for much longer. **AST**

"Improving connectivity across all points of a relationship with a single customer can be a win-win situation. Interestingly, the industry has been talking about it for a long time, and it is working in retail banking, but on the corporate side it's not happening yet"

Alex Wolff, Head of product strategy, Misys

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 BNP Paribas and more

BNP Paribas Securities Services has appointed **Philippe Benoît** as head of the Asia Pacific region to replace **Lawrence Au**, who is beginning to plan for his retirement.

Benoît will now be responsible for growing the securities services businesses in Asia Pacific (APAC), where BNP Paribas has seen its assets under custody triple over the last five years.

Lawrence Au is moving to an executive advisory role after heading up BNP Paribas Securities Services APAC for over five years

Previously, he was global head of finance, legal and anti-money laundering treasury for BNP Paribas Securities Services in Paris.

Au will remain at BNP Paribas as an executive advisor. He will have strategic oversight on selected client relationships in the region, and will be an executive sponsor for projects in China.

Eric Raynaud, CEO of BNP Paribas in APAC, said: “Over the last five years, Au has built a successful franchise in the region, enabling BNP Paribas to become a fast growing market leader in the securities services sector. Benoît will play a key role in furthering these developments and continuing the business growth in Asia Pacific.”

Financial technology start-up and app developer Moneybox has appointed **Daniel Godfrey**, former CEO of the Investment Association, to its advisory board. Godfrey’s advisory role will include product design and development, regulatory authorisation, and marketing and communications.

Daniel Godfrey joins the board of Moneybox, whose app allows users to invest their digital small change

The Moneybox app allows users to round up their card payments, gathering the spare change in to a stocks and shares ISA which can be accessed using a smart phone.

Godfrey said: “For too long the investment industry has overlooked the younger generation. Moneybox, with its capacity to round up digital ‘spare change’ into long-term investments through an ISA, can revolutionise the investment landscape and play a real part in helping people build a better, safer future for themselves.”

Handelsbanken’s **Jonas Modigh** has taken on a new role as head of sales for securities services at the bank.

Previously, he was head of sub-custody and cash clearing services, a position he has held since November 2012.

Modigh has been with Handelsbanken since 1997 and has held several senior positions including head of custody for Denmark, head of IT development and administration for custody services, and head of client relationship management.

In his new role, he will be responsible for sales activities within sub-custody, global custody and cash clearing services.

Modigh commented: “I am very excited to take on this role at a time Handelsbanken Securities Services is focusing more than ever on these products.”

“I have been given the opportunity to reap the benefits of our big investment in both a new custody platform and a standalone asset servicing platform for the Nordic region, which will also benefit all our clients with high automation and cost effective processing.”

Having been with Handelsbanken since 1997, **Jonas Modigh** takes on a new sales role

John Wall has retired as CEO of Marex Spectron, sparking a reshuffle of senior management and changes to the executive board.

Wall has been with the commodities broker since 2012. He joined with the aim of completing the merger between the Marex and Spectron groups.

He said: “I am very pleased to say that we have exceeded this goal thanks to the efforts of my colleagues and the active support of our owners. Marex Spectron is stable, profitable, prudently managed and strong: all significant achievements at a time when many of our competitors are struggling.”

John Wall joined Marex Spectron in 2012 to oversee the merger of the groups

Wall will be succeeded by current CFO **Ian Lowitt**, while the CFO position will be filled by **Rob Watts**, who is currently group financial controller.

Wall said: “With the firm in excellent shape, I feel that now is the right time for me to step back. It has been a privilege to lead this great company and I have no doubt that Lowitt is the right person to take charge of the next stage of its development.”

Lowitt also joined Marex Spectron in 2012. Before this, he was COO at Barclays Wealth America, and he also spent 14 years at Lehman Brothers.

He said: “Marex Spectron has a terrific base to build on. We are financially strong with robust, trusted, client relationships and a well-deserved reputation, thanks to the tremendous efforts of our staff, for excellence in execution and service.”

Jeremy Isaacs is stepping down as non-executive chairman of the board, but will remain a board member. **Simon Heale**, who has sat on the board of Marex Group since 2007, will take over as non-executive chairman.

Isaacs said: “It has been a great honour to chair the board of this company as it emerged as the leader in its sector.”

“I look forward to remaining closely involved as Marex Spectron builds on the solid foundations Wall and his team have laid.”

Isaacs added: "Heale knows this business well, understands the challenges and opportunities before it, and has spent a long and successful career leading some of the most influential organisations in the commodities sector."

"He is undoubtedly the right person to preside over the board as Ian Lowitt takes the company forward."

Societe Generale Securities Services (SGSS) has hired **Stephen Doyle** as head of institutional sales for asset managers and insurers in the UK and Ireland.

He joins from Northern Trust where he was sales manager for global fund services in the UK.

Based in London, Doyle will report to Michael Le Garignon, head of sales, business development and relationship management.

Le Garignon said: "Following our approval from the UK regulators to offer trustee and depository services in the UK for UCITS and alternative investment funds, SGSS is investing to provide operational efficiencies and global expertise through a range of integrated client solutions, including strategic outsourcing solutions, to asset managers and insurers in the UK."

Cliff Moyce joins DataArt to help address modernisation of data management platforms

Technology consultancy DataArt has hired **Cliff Moyce** as global head of financial practice.

Moyce has experience in leading high-profile companies through change periods, with previous positions including the London International Financial Futures and Options Exchange and Markit.

Alexei Miller, managing director of DataArt, said: "Moyce's experiences in everything from building and launching major new mortgage and insurance companies to leading the automation of trading at Europe's largest derivatives exchange, to building the first automated index arbitrage system for equities in London, to running a private equity company, will be of huge benefit to our clients."

DataArt is a technology consulting firm that offers end-to-end solutions, from concept and strategy, to implementation and support. **AST**

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