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Deutsche Börse-LSEG merger threatened by EU referendum

The potential merger of the London Stock Exchange Group and German exchange operator Deutsche Börse "would be put at risk" if the UK decides to leave the EU.

Current merger plans propose the combined entity being domiciled in London, with secondary offices in Frankfurt, Germany, where Deutche Börse is headquartered.

A Deutsche Börse statement explained: "The parties are proceeding on the basis that existing regulatory and political structures remain in place."

Although an 'in' vote from the Brexit referendum (set for 23 June) is not a strict condition of the merger, an 'out' decision "might well affect the volume or nature of the business conducted in the different financial centres," Deutche Börse said in the statement.

The proposed merger, first announced on 23 February, would reportedly be structured as an 'all-share merger of equals', creating a new holding company.

Under the proposal, Deutsche Börse shareholders would hold 54.4 percent of the new company, while LSEG holders would have the remaining share.

The new company would have a board composed of equal numbers of LSEG and Deutsche Börse directors.

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$27 billion could be at risk, says report

Annual industry-wide unsupported exposure due to collateral settlement failure, for 42 sell-side firms, is estimated to be nearly $27 billion, a DTCC-Euroclear Global Collateral and PwC report has warned.

The inclusion of buy-side participants and other sell-side firms, with the 42 covered receiving and delivering an average of $889.5 billion in over-the-counter (OTC) derivatives collateral assets between them in 2014, revealed the overall unsupported exposure would be much larger if the current 3 percent settlement fail rate for collateral movements prevails.

The average annual operational cost of remedying settlement fails could rise 407 percent to $3.6 million for each buy-side firm and 377 percent to $2.4 million for each sell-side firm by 2020, according to DTCC-Euroclear Global Collateral and PwC.

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Custom House going it alone

Custom House Global Fund Services has officially become an independent fund administrator, after receiving regulatory and government approvals.

The administrator split from parent TMF Group following a management buyout in 2015, and intends to return to its original industry model, focusing on providing services to address the complexity of financial markets. Custom House has launched new branding, including a new logo and website, intending to reassert the value of independent fund administration.

Mark Hedderman, CEO of Custom House Global Fund Services, said: "We are experiencing a demand in the industry for a return to core values."

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Deutsche Börse-LSEG merger threatened by EU referendum

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All key businesses of both parties would continue to operate under their current names, and the regulatory frameworks of all regulated entities within both groups would remain unchanged.

Deutsche Börse also recently completed the sale of its share of financial information provider subsidiary Infobolsa to Spanish stock exchange, BME.

BME has paid Deutsche Börse €8.2 million in cash for its 50 percent stake in company, making BME the full owner of the entity, effective immediately.

The sale also includes the acquisition of Infobolsa subsidiaries Difubolsa-Serviços de Difusão e Informação de Bolsa and Infobolsa Deutschland GmbH.

$27 billion could be at risk, says report

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Thomas Ciulla, principal at PwC, commented: “While industry attention is focused on the impact and implementation of regulatory mandates that include uncleared/bilateral margin requirements, collateral settlement fails tend to escape closer scrutiny.”

“A persistent issue now, due in part to simple counterparty miscommunication and constrained technology, collateral settlement fails will rise in proportion to the increased collateral movements that are a result of new uncleared/bilateral margining rules. The resulting operational and liquidity impact will be material and demands remediation.”

The report, Implications of Collateral Settlement Fails: An Industry Perspective on Bilateral OTC Derivatives, is based on data collected through interviews with collateral settlement specialists operating within OTC derivatives.

Custom House going it alone

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Hedderman continued: “We are experiencing a demand in the industry for a return to core values. The origin of the fund administration business was always envisioned as an independent entity servicing the needs of the investor, completely free of conflict from any part of the investment process.”

He added: “We will provide a much needed model for the industry while continuing to focus on client delivery and quality service, backed by a high level of industry expertise and experience that resides in a talented team of senior level professionals.”

The split from TMF Group was initiated last year. In 2015, Custom House added 74 new client mandates, and it has signed 39 in 2016 so far. It has also opened new offices in London and Hong Kong.

Hedderman said: “We believe the time is right to bring to the forefront the important role an independent administrator can play in providing real value and comfort to managers and investors alike. Our new brand communicates a return to core values based on 25 years of experience and expertise in servicing the investment management sector.”

Calastone releases Data Services

Calastone has launched a new global fund distribution solution that collates transaction data across the global distribution chain.

The solution is intended to provide data managers with a more transparent view of their global fund distribution, supporting them in meeting regulatory obligations under the likes of the Markets in Financial Instruments Directive (MiFID) II.

MiFID II rules mean the responsibility for providing transparent information on fund distribution will shift from fund distributors and platform providers to fund managers.

Those fund managers will have to provide full transparency as to where their funds are being sold—something they have not historically had the ability, or the need, to do.

Data Services collates transaction data across the global distribution chain, creating a detailed and accurate view of the market for individual firms, and improving understanding of the full range of distribution.

Rob Swan, managing director of Data Services, said: “Many fund management firms are not prepared for the scope and volume of work required to simply achieve look-through of their product distribution, a task that involves the consolidation of data across thousands of administrators, distributors and advisors.”

“We anticipate that aspects of the upcoming MiFID II regulation will require fund managers to add a market overlay to monitor the full distribution chain effectively. The scale of this task should not be underestimated. The recent one-year delay of the regulation must not be seen as an opportunity to defer the project, but rather as time to ensure compliance with their regulatory obligations.”

Jon Willis, chief commercial officer of Calastone, said: “Calastone’s heritage has been founded in supporting the funds industry by driving greater efficiency through

Contents

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automation. As with all our developments and initiatives, we work closely with the industry to identify ways to help them address their challenges and have been delighted with the early interest in our Data Services solution."

Northern Trust expands in India

Northern Trust is expanding its operations in Asia by opening a new office in Pune, India.

The Pune office will complement existing operations located across the region, including Bangalore, India, and Manila, the Philippines, and is expected to house more than 500 employees within two years.

The new office will be located at Panchshil Tech Park Yerwads and is expected to open in July 2016.

Northern Trust chairman and CEO Frederick Waddell, said: "We are delighted to further expand our operational capabilities in Asia."

"India offers a growing talent pool of highly educated individuals and the Pune office will play a key role in supporting our clients in the Asia Pacific region, enabling us to offer them support across time zones."

Mano Mathews will head the new office, reporting to Mosur Saidsekar. Mathews joined Northern Trust in 2009 and most recently served as head of hedge fund services in Bangalore.

Saisekar added: "We are pleased to continue the expansion of our operations in India. From 200 employees in 2006, we now employ more than 3,600 people in India, and this latest expansion in Pune will further drive our growth and presence in the region, ensuring we are well positioned to continue to support Northern Trust's clients."

Crédit Agricole migration a success

CACEIS has completed the migration of all Crédit Agricole Assurances portfolios to its new Central European accounting platform.

The operation represents €250 billion in assets administered on behalf of the Crédit Agricole Assurances group and is part of its strategy to align its accounts with international accounting standards. Crédit Agricole Assurances is the first CACEIS client to move to the new platform.

The migration is the outcome of a project launched 18 months ago, designed to regroup CACEIS's various local accounting platforms within one single European platform, thereby ensuring consistent processing across all portfolio structures.

CACEIS selected the latest version of NeoXam's NX GP3 application for its centralised platform.

Grégory Erphelin, CFO of Crédit Agricole Assurances, said: "Grouping our portfolios within a single accounting platform was a major challenge for our group, as we were keen to streamline back-office functions to provide a clear and transparent view of our portfolios at all times."

CACEIS deputy CEO Jean-Pierre Michalowski said: "The close working relationship with Crédit Agricole Assurances was key to the successful completion of this large-scale project."

Vienna Stock Exchange and Deutsche Börse extend technology partnership

Deutsche Börse and the Vienna Stock Exchange have extended their trading technology agreement, meaning the exchange will continue to use the Deutsche Börse Xetra trading infrastructure for another six years.

The agreement has been in place since 1999, and also allows partners of the exchange to use the Deutsche Börse technology.

It means the exchange's cash market runs more efficiently, and any updates or modernisations to the infrastructure will apply to the stock exchange, and its partners, in parallel.

Michael Buhl, a member of the management board of Wiener Börse, said: "Deutsche Börse offers an extremely reliable, high-performance and well-recognised trading technology."

"The long-standing relationship has proven successful for both the Vienna Stock Exchange as well as other exchanges with whom we are cooperating in Central and Eastern Europe. We therefore decided to approach future technological developments and upcoming challenges within the financial industry jointly again with Deutsche Börse," he added.

Holger Wohlenberg, managing director of Deutsche Börse market data and services, added: "This extension of the agreement with Vienna Stock Exchange is another re-confirmation for the quality and reliability of our IT services and technology solutions."

"Vienna Stock Exchange and its co-operation partners in Central and Eastern Europe will continue to benefit from our continuously improved cash market technology and a broad international network of market participants."

Frost sees to MiFID II research

Frost Consulting has launched, FrostRB valuation and budgeting software for investment research, designed to help asset managers cope with new research requirements under the Markets in Financial Instruments Directive (MiFID) II.

The product is designed to address new unbundling rules under MiFID II, which will require European asset managers to prove they only pay for research they use, avoiding cross-subsidisation.

Asset managers will also have to inform asset owners of their portion of the research budget in advance.

FrostRB is intended to provide a transparent research valuation, budgeting and reporting framework, generating customised and multi-asset class research budgets, at a fund, rather than firm, level.

It aligns research budgets with fund investment processes, supporting investment objectives of the asset owner, and reducing unnecessary costs and inefficiencies that can mean reduced returns for owners.

According to Frost, asset managers can spend up to $20 billion on clients' money on external research, per year. Research methods have typically been inefficient and non-transparent, making it difficult to establish a monetary value for individual research projects.

FrostRB allows asset managers to establish a value for these projects, helping asset managers to comply with MiFID II requirements and maximising return-on-investment on research spending.

Neil Scarth, principal of Frost Consulting, said: "The institutional investment research market is at the inflection point of the biggest change since the US Securities and Exchange Act of 1934. We are very excited to be launching FrostRB to help asset managers create, and demonstrate, better investment outcomes for asset owners."

LCH.Clearnet expands clearing service

LCH.Clearnet has expanded its European cash equities clearing service to offer clearing for UBS multilateral trading facility (MTF) users.

UBS MTF users will be able to clear through LCH.Clearnet from 22 February, and cash clearing will be available for users of 16 trading venues.

The move follows a 20 percent increase in equity clearing volumes over the last 12 months, and reportedly represents part of a wider commitment to the open access model.

Cécile Nagel, global head of equities and commodities at LCH.Clearnet, said: "We're focused on building deep relationships with our members and developing our offering in line with their needs. Extending our trading venue coverage lies at the heart of our open access approach."

"Adding UBS MTF is an important milestone in our efforts to provide choice and create efficiencies for the market."

Colonial First State launches TCS corporate actions solution

Colonial First State (CFS), platform provider for the Commonwealth Bank of Australia, has successfully implemented the Tata Consultancy Services (TCS) BaNCS for Corporate Actions solution.

TCS was mandated to improve straight-through processing rates, automate and streamline corporate actions processing, and improve productivity, efficiency and scalability.

According to TCS, corporate actions were previously subject to manual and error-prone processes, without a single source of accurate data. The solution is intended to unify, automate and support the whole corporate actions value chain, thereby reducing risk.

It focuses on data scrubbing, process management, record-keeping and integration with external parties such as custodians and fund managers.

Brad Massey, general manager of fund services at Colonial First State, said: "We selected TCS BaNCS for Corporate Actions for its comprehensive functionality and established track record of highly successful deployments."

"Since the implementation, we have been able to increase productivity, enhance operational efficiency, and reduce risks in our corporate actions processing."

"TCS BaNCS has helped automate 90 percent of end-to-end processing for mandatory events and 75 percent for voluntary events. With our processes and infrastructure now demonstrating increased flexibility, our bank has definitely become more agile."

RBC wins Madison mandate

RBC Investor & Treasury Services has been selected by Madison International Realty to manage its fund administration, depository and shareholder services in support of its closed-end Irish collective asset management vehicle (ICAV) real estate fund.

Madison is headquartered in New York with additional offices in Frankfurt and London. Its European investments have included Statoil's headquarters in Oslo, Houndsditch Estate in London, and the Trianon office tower in Frankfurt.

In addition, Madison closed a 35.4 percent ownership interest in the Irish Stephen's Green Shopping Centre in late 2015. It has also invested in the Chrysler East building in New York.

Alex Lukesch, director of Madison International Realty, commented: "We are pleased to appoint RBC Investor & Treasury Services as custodian and fund administrator for our ICAV real estate fund. This fund structure, coupled with the strength of the RBC team, positions us well for future investments in Ireland and other parts of Europe."

Kevin O'Neill, managing director of asset managers in North America at RBC Investor & Treasury Services, added: "Being able to service private equity funds that have exposure to assets such as real estate, infrastructure and private loans is a key component of our value proposition to US asset managers. We are delighted to be appointed by Madison International Realty in support of their closed-end ICAV."

HSBC takes SWIFT action on T2S

HSBC will adopt the SWIFT Value Added Network (VAN) solution for connecting to Target2-Securities (T2S), and for securely exchanging business information on the platform.

The VAN solution allows T2S participants to exchange information using ISO 20022 messaging, and intends to provide a resilient solution with minimal cost and risk.

HSBC will be able to implement a single window for ISO 20022 messaging, meaning the bank will be able to re-use the platform for other messaging purposes, including fund distribution.

The bank already uses SWIFT's MyStandards Readiness Portal for T2S, which supports the implementation and integration process, and which allows users to test messages against certain specifications.

This means HSBC will be able to prove its ability to provide a certain quality of service and straight-though processing rates, generally improving the speed and accuracy of T2S message processing.

Gerd Goetz, managing director of HSBC's transaction services in Germany, said: "Having utilised SWIFT services for years, we are confident that SWIFT is the right T2S connectivity solution for HSBC. SWIFT's solution gives us the best benefit in terms of resilience, price and low risk."

"Through SWIFT, we can seamlessly integrate the platform with HSBC's systems, allowing for a streamlined and low-risk project. The value added services helped HSBC to focus on developing the best possible services for our customers, enabling them to capitalise on the opportunities T2S brings to the market."

"We are delighted that HSBC has decided to choose SWIFT to connect to T2S. We thank HSBC for its confidence that SWIFT's is the most reliable, cost effective and strategic solution for T2S connectivity," commented Christian Kothe, head of Central and Eastern Europe at SWIFT.

"SWIFT's T2S connectivity solution is operating as expected and will accommodate additional volumes as more and more markets and participants migrate onto the platform."

This news comes shortly after HSBC confirmed, after a review, that its headquarters will remain in the UK. According to the bank, while Asia remains as its strategic focus, the decision was also based on London's importance as an international financial centre, and on its links to developing markets.

The HSBC board also decided that reviewing the location of the bank's headquarters once every three years is unnecessary, and will only address the matter again if circumstances change significantly.

Nasdaq and Estonia in blockchain project

Nasdaq will be using blockchain technology to improve e-voting on the Estonian e-Residency platform.

The e-Residency platform is an electronic identity system used by Estonian residents and those with business interests in Estonia.

The blockchain technology is intended to allow shareholders of companies listed on the Nasdaq Tallinn Stock Exchange to more easily vote in shareholder meetings.

Shareholders based in Estonia, or who are Estonian e-residents, will have a more convenient and more secure way of participating in corporate governance, and shareholder authentication will be improved.

Blockchain technology will allow votes to be recorded quickly and securely, improving the proxy voting process, which was previously fragmented and labour intensive, according to Nasdaq.

The pilot programme, scheduled to be launched in 2016, intends to empower shareholders and improve engagement.

Kaspar Korjus, programme director of the e-Residency platform, commented: "When we started the e-Residency project a year ago, we knew we would change the way people think about nations and citizenship."

Korjus added: "Now, via our e-voting collaboration with Nasdaq, we will be revolutionising corporate governance."

President of Nasdaq Hans-Ole Jochumsen, said: "Estonia's robust information society and forward thinking coupled with the agility its size affords, creates a unique opportunity to premiere the e-voting pilot in Estonia."

"We're excited to see the development of this project over the coming months, and look forward to working closely with the government of Estonia to set a transformative example of the future of governance."

The programme is Nasdaq's second official foray into blockchain.

It also created the blockchain-enabled platform Nasdaq Linq, which has now successfully completed a private issuance between a company and investor.

Broadridge and AMA Partners in European governance agreement

Broadridge has expanded its corporate governance offering in Europe by partnering with, and investing in, Netherlands-based company AMA Partners.

The two firms have created a distribution and marketing alliance, allowing Broadridge to reach corporations and institutional investors through the AMA DirectorInsight analytics platform.

The interactive platform offers data and analytical tools allowing independent analysis of corporate governance and executive compensation, including governance risks, executive pay and benchmarking.

A screening tool can construct peer group scenarios for market comparison, while historical data and forecasted performance data covers 1,200 listed European companies. The platform also holds profiles on 35,000 individual directors and executives.

Through the investment, Broadridge plans to expand its corporate governance solution set and data capabilities, offering access to the platform for investors and issuers, as well as for corporate secretaries and governance professionals.

Demi Derem, Broadridge's general manager of international investor communication solutions, said: "DirectorInsight will be an excellent complement to our existing suite of proxy services as part of our overall corporate governance focus."

"In the current environment of increased activism and heightened scrutiny of corporate governance practices, partnering with AMA to offer DirectorInsight will enable issuers and institutional investors better decision making and more effective engagement."

AMA Partners founder Aniel Mahabier said: "AMA is excited to partner with Broadridge to greatly expand DirectorInsight's distribution reach. DirectorInsight is the first platform within Europe that was built to aggregate and interpret data to provide transparency to promote sound corporate governance and responsible pay practices."

"Members of boards and shareholders benefit from a more transparent and accessible decision-making process, with the ability to access the same information at the same time."

Glass Lewis and Sustainalytics in proxy voting partnership

Research ratings and analysis firm Sustainalytics has paired up with Glass Lewis to integrate environmental, social and governance processes with proxy voting services.

The partnership will see Glass Lewis integrating ESG research and ratings from Sustainalytics into data for more than 10,000 companies on its proxy research and vote management platform.

The companies will work together to develop a new ESG profile page using Sustainalytics data, which will allow users of the Glass Lewis proxy voting platform to consider ESG factors in their voting policies.

Users will also gain access to a full range of ESG data for analysis, screening and engagement, accessed through a tailored workflow.

Michael Jantzi, CEO of Sustainalytics, said: "The responsibility for ensuring companies are effectively managing the business risks related to environmental and social factors lies squarely with corporate directors."

"Just as portfolio managers and analysts are increasingly integrating ESG factors into their investment processes, those professionals responsible for their firms' proxy voting policies and, ultimately their actual proxy votes, also need insights into how these issues are being managed within the boardroom."

Cyber crime more disruptive than blockchain, says Linedata survey

Asset managers see cyber crime as a potentially bigger disruption than blockchain, but regulations still pose the biggest challenge, a Linedata survey suggests.

When Linedata's 2016 Global Asset Management and Administration Survey asked respondents to identify the three biggest challenges to their firms, 58 percent put 'adapting to regulatory regimes' in their top three, bringing this figure above 50 percent for the first time in the last four years.

Maintaining operational efficiencies and cutting costs was considered an issue by 43 percent, also representing an increase over the last three years.

The third most cited challenge was managing data, according to the survey.

The results also showed a decrease in concern around investor performance.

Looking ahead to what respondents anticipate will be challenging in the next three years, there was a slight dip in the number of respondents believing regulatory regimes would still pose a challenge.

Challenges around operational efficiencies and cutting costs are expected to remain the same, however, the survey suggests there will be less concern around data management.

When asked which three regulations would have the biggest impact, the Markets in Financial Instruments Directive II emerged as the clear winner, with 40 percent putting it in their top three. The second most selected was the Alternative Investment Fund Managers Directive, highlighted by 32 percent, while the Foreign Account Tax Compliance Act was selected by 31 percent.

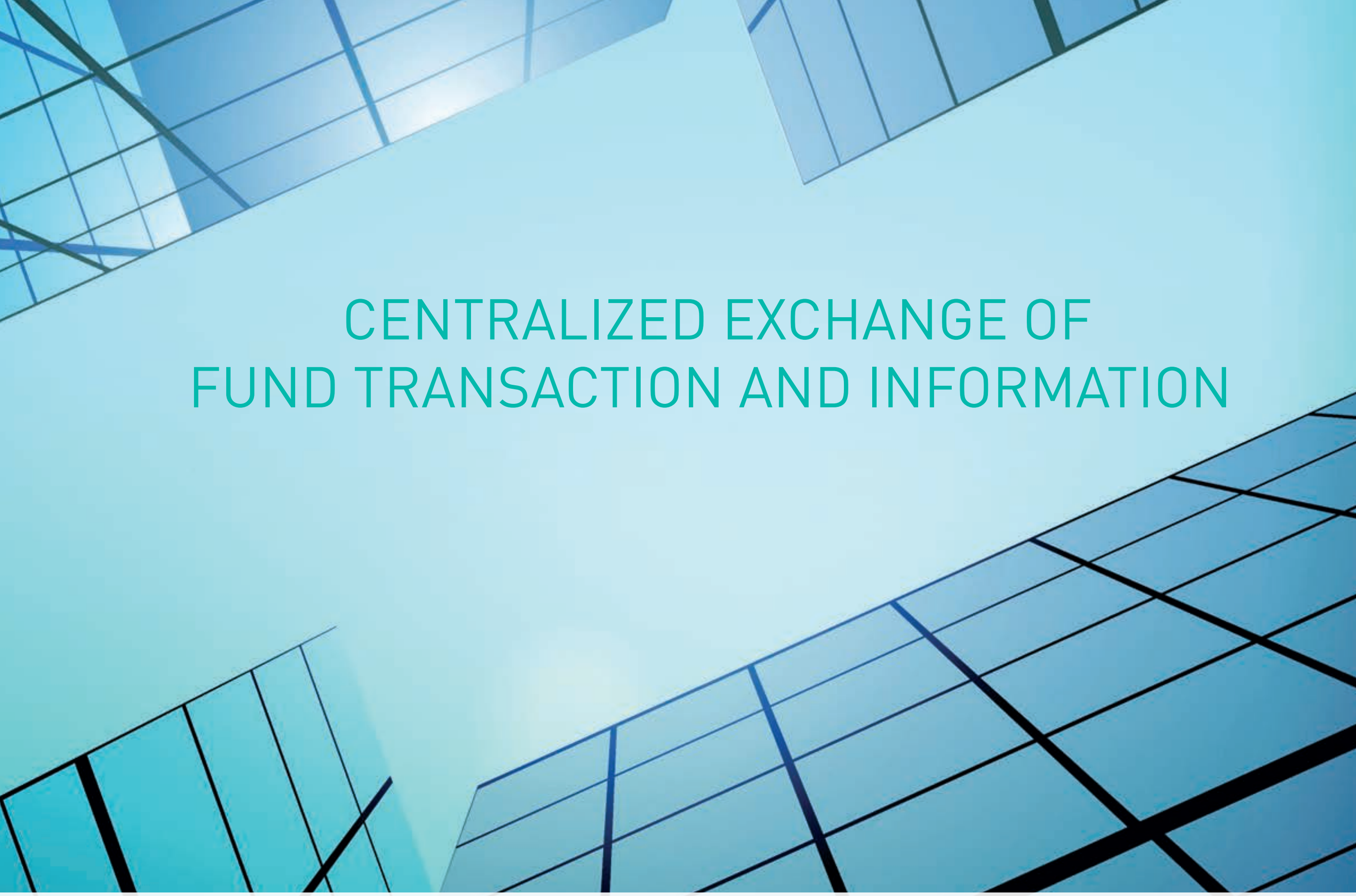
While the Dodd-Frank Act was chosen as having an impact by 30 percent, it was voted the regulation with the biggest impact among North American respondents, 77 of whom put it in their top three.

"There are some indications that the emphasis is now less on acting on regulation, as much of that is in place, and towards a better understanding of the long term systemic changes that regulation is having on the asset management industry," explained Linedata.

Surprisingly, when it comes to the greatest potential for disruption and risk in the market, 36 percent said they were most concerned about cyber crime, while 25 percent said a move towards alternatives and another 25 percent selected new intermediation models, such as robo-advisors.

Only 8 percent saw blockchain technology as having the greatest potential for disruption.

Linedata said this "perhaps mirrors the fact that the industry is still exploring the potential of this technology rather than being an absolute measure of its final impact".



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Forks in the road

The road for transfer agents is long and fraught with danger, and ITAS delegates found there's no knowing the best way out of the woods

The International Transfer Agency Summit (ITAS) in Luxembourg was dominated by talk of the many challenges facing the modern financial services industry, from new and 'disruptive' fund types to the ever-increasing regulatory burden.

One panel discussion tackled the obstacles that remain in the way of the industry taking full advantage of big data. A resounding 100 percent of respondents to a survey agreed that big data will continue to play a role in the industry, but when asked to identify the biggest obstacles for financial services in leveraging the advantages of big data, opinions were split.

A small majority of 34 percent said the main issue is a lack of understanding, appetite and vision, while 28 percent were more concerned about the availability of data. A quarter of respondents thought the biggest obstacle would be regulations and know-your-client (KYC) rules, while 13 percent highlighted IT infrastructure as an issue.

Dan Cwenar, general manager for data and analytics solutions at Broadridge, and a conference panellist, argued that the real issue is what to do with the data when it is available, saying the industry is "drowning in data and lacking in intelligence".

He also suggested that often, even when data is received, it is inaccurate, meaning a lot of investment in cleaning and making sense of data.

Another speaker, Ruaraidh Thomas, managing director at DST, suggested that while some challenges are industry-specific, other regulatory issues apply to all industries. He added that data is often not properly looked at, or used to best effect, suggesting that any technology is only "useful if you know why you want it".

He said: "We need to ensure we get the right building blocks in place and that is the biggest challenge."

Thomas continued to say that there are challenges in understanding the data firms have, and in getting it into a useable state, before thinking about what it can be used for. He argued that "the biggest question is how", before the industry should worry about the "why".

Another panel addressed the possibility of a challenging environment driving asset managers to engage in the direct-to-consumer (D2C) market. However, Abraham Okusanya, founder of research consultancy FinalytiQ, argued that this is not a viable option, as the market is too competitive.

Okusanya suggested that asset managers have historically always outsourced client communication and that to change this would be a culture shock. "Many fund managers are incapable of that," he said.

While suggesting that the D2C market is a large one, and that a D2C platform can generate healthy profit margins of up to 20 percent, Okusanya pointed out that there is a lot of competition in the marketplace, and that fund managers will not be able to compete in a profitable way.

Ultimately, he said, this would put more pressure on profit margins, which is what the industry as a whole is striving to avoid.

Alan Hawthorn, global head of investor services at Aberdeen Asset Management, took a different view, suggesting that end investors are moving away from a 'nanny' pension system, and may benefit from direct communication with a fund manager.

A third panellist, Matthijs Aler, COO at Ohpen, a Dutch mutual fund and savings account platform, added that a new generation of investors may be likely to move away from traditional distribution channels, and that fund managers could benefit from bringing their product to these consumers directly.

Aler added that it is not necessarily fund managers' branding that is the most important, but "the willingness to invest in marketing".

Currently, fund managers are business-to-business experts, when they should learn to be business-to-consumer experts, he said, adding that this is the big challenge for them today.

Several sessions also honed in on the issue of market disruption. A presentation from Broadridge's Cwenar focused on exchange-traded funds (ETFs) as a disruptive product.

Using the example of using physical mail for proxy voting, Cwenar argued that "if you don't disrupt you're going to be disrupted". Proxy voting is now all conducted electronically, and institutions have to keep up with that.

He highlighted three main factors contributing to the increased popularity of ETFs: technology, which is changing the ways that people invest and create opportunity; regulation, which is becoming more and more complex, demanding more transparency and lower costs; and client demand—modern investors are seeking more choice, lower costs, and independent and customised advice.

Pointing to a 25 percent increase in registered investment advisors in the US, Cwenar suggested that more advisors are now more likely to base investments on a client's demands that on commission and fees. He also drew attention to the fact that 80 percent of advisors are now using ETFs, compared to 68 percent two years ago.

In the European market, Cwenar said, Broadridge has also seen an increase in demand for passive products, driven by regulatory changes, such as the Markets in Financial Instruments Directive (MiFID) II, that focus on transparent fee structures. Rather than losing clients from high-margin products, he said, fund managers can retain those clients through low-margin products.

He predicted that ETF assets are likely to increase more in the European market as "the momentum is there", however, he also pointed to an emergence in the US of active managers trying to launch ETF-style "unique structures but without the transparency".

Rob Formby, director of retail operations at Allan Gray, also highlighted the changing investment management landscape, and was another speaker to note the increase in compliance obligations, saying it "is a risk, but it's also an opportunity".

Either way, he argued, additional compliance requirements are "a reality", while at the same time technology such as robo-advisor services are increasing in popularity, the "advice landscape" is seeing dramatic changes, and "clients are demanding a much higher level of service".

Client expectations are adapting in line with technological advancements, said Formby, and new payment players such as tech giants Apple, Amazon and Google may have a significant impact on the market.

He suggested that investment management solutions today should be "far more with consumers in mind and very easy to operate", while being "device-agnostic" and "omni-channel", meaning that all services are dealt with on a single platform and placed in one queue.

Formby also noted that all departments working with new technology would also have to deal with legacy systems, conceding: "They'll have to deal with that."

He concluded that, ultimately, good customer service is integral to client services, stressing that both institutional and individual investors are more willing to trust a fund manager if they receive good customer service, and if operations run smoothly.

While actual cost-savings in this area are hard to quantify and "difficult to illustrate", Formby argued the importance of solving any issues with clients first, before addressing the problems in-house, saying the implications of this can be "massive".

Finally, a panel dedicated to the impact of MiFID II found that approaches to compliance vary significantly between financial services firms. When, in a live survey, delegates were asked about the size of the team they have working on MiFID II compliance solutions, 47 percent answered 'fewer than five', while 33 percent said 'more than 20'.

The remaining 20 percent all answered '10 to 20', while the 'five to 10' option received no votes.

Delegates were then asked for estimates of how much their compliance budgets would be apportioned to MiFID II over the next three years.

Again, results were varied, with 37 percent believing MiFID II would take up 10 to 20 percent of their budgets, and 37 percent choosing the 'up to 10 percent' option. While 20 percent believed the cost would represent 20 percent of their budgets, 6 percent of respondents it would be 'too much to contemplate'.

Due to the live-poll nature of the survey, results fluctuated dramatically before settling on these figures, which one panellist suggested was reflective of the industry's position on the directive, saying: "The figure is moving because we are not sure."

David Moffat, group executive of IFDS and a moderator on the panel, said afterwards that the survey results were indicative of a divide in the industry.

"The big fund managers are alive to this—they've got global programmes and a lot of people working on it. The middle- and small-tier fund managers are not prepared, and actually, the 12-month delay has played in to them thinking they have more time to work on it, and that's a mistake," he said.

"I am worried that MiFID II is just another brick in the barrier-to-entry wall and that small and medium managers will find it proportionately harder to accommodate. It becomes just another load around their necks." **AST**

Safety in numbers

Operations departments are drowning in data, but automated number crunching can reduce risk, says Neil Vernon of Gresham Computing

How does Gresham approach data challenges in the financial services industry?

We wanted to introduce something new to the back and middle offices that could manage data integrity and control, and provide insight into the lifecycle of a transaction. About five years ago, we noticed that regulatory changes meant there were a lot of new controls required, particularly in the middle office.

Most of the controls were being managed on spreadsheets, and there was no proper enterprise software available to the middle and back office that would allow organisations to respond properly to the changing demands.

With a spreadsheet model, if something goes wrong in the organisation it can take days or weeks before anyone realises something is not quite right with the trade. The longer it takes to check a transaction's integrity, the more costly it becomes to fix it, the more uncertainty there is, and the longer it takes. Where customers are involved, they can easily become exposed to the fact that not all of the internal systems are singing from the same song sheet, and that can affect customer confidence.

You can pay $10 to FedEx to carry a package from New York to London, and at every step you will be able to see where that package is. It's generally correct—or, at least, gives the impression of being correct—and it generally arrives on time. However, if you make a $10 million transaction with a major organisation, that money effectively disappears into a black hole. It will eventually pop out on the other side, but there is no real guarantee that it will be correct.

Without this level of insight, organisations run the risk of misreporting what they have traded. For example, there have been occasions where data has been 'summarised' to the degree that banks couldn't even tell a regulator whether they've been buying or selling commodities. That sounds unbelievable, but it's because some of these transactions are so complicated, with so many attributes and so much complexity around the meaning of each attribute, that when you try to combine that data into a single view, most software fails. That means, of course, it all ends up in a spreadsheet, because spreadsheets can be a million columns wide. The problem is that some poor employee then has to go through all of that data, collating it into a report for the regulators, with strict time constraints. Obviously, there is a major risk that they will get it wrong—with this in mind, mistakes were bound to happen. We offer tools that allow organisations to apply the right controls, and to gain certainty around that data.

How does the Clareti Transaction Control product work?

The technology is typically wired up to one of the front-office systems so it receives transactions as soon as they appear, and also attached to middle- and back-office systems. It means all the systems involved in processing a transaction are aligned for a consistent view, creating a simple end-to-end comparison tool across a whole range of attributes.

If a transaction is described using 1,000 attributes, Clareti Transaction Control (CTC) generates a data model that can hold 1,000 attributes. If it only requires 50, it generates a model that can hold 50. There is no pre-defined scheme for clients to map on to. The technology then notes the type of transaction and the attributes it will require, and publishes an accurate report.

If the data is not consistent, CTC will raise a red flag. For example, if the front office disagrees with the middle office, it will prompt a manual investigation. That means the manual effort is on just 1 or 2 percent, on an exception basis, rather than 100 percent, of the transaction reporting process.

How easy is it to identify where an error has occurred?

At the very minimum, we can show which systems are agreeing and which are not, and this can be the starting point for root cause analysis. Then, at a meta level, we can show that, for example, 20 percent of issues in transaction reporting are happening between two particular systems.

We can 'guide the surgeon's knife' in terms of the processes and the systems that are failing in their integrity. If a significant proportion of errors are coming from one place then that is where the institution should be spending its resources.

Are banks quick enough to embrace innovation?

What is actually happening is banks are innovating, and that's great. New and interesting financial products are good for all of us. But the core platforms often don't understand these new products, so institutions end up bolting on 'helper' applications that are not thorough enough and that are not allocated an appropriate budget.

The problem with new innovation is that it's hard to know whether anything is going to work or not, so banks are not going to spend millions on a new type of trade if they're only going to complete six of them. When they're trading 6,000 they have to start paying attention, and when they're trading six million they really need to get it right. Throughout that innovation curve institutions are carrying an awful lot of risk. That's when systems go wrong.

The more mainstream those innovative products become, the more volumes increase, and the more operational risk is carried. Eventually, banks will re-engineer. What was innovative becomes boring, and is moved on to the core platform. By then, however, traders have innovated and there is a whole new set of innovative and exciting products, and the whole risk cycle continues.

Is it inevitable that something will go wrong, eventually?

In a way, yes. There is always innovation, and without innovation organisations die. If an institution sticks with spreadsheets, something will definitely go wrong, either because spreadsheets are so opaque and generally cause problems anyway, or through fraud. Criminals will realise that they can manipulate spreadsheets, that there's no audit trail, and that nobody really knows how they work anyway—it's easy just to change a few cells here and there.

Banks have to accept that innovation brings about innovation risk. They have to make sure they have the tools and processes in place that allow them to handle that innovation as quickly as possible, with a whole set of tools across the transaction lifecycle.

These controls can help firms to keep pace with innovation, so that if the front office innovates, the middle and back office can accommodate changes on the same day.

With CTC we are providing an enterprise solution to deal with volume and to be a single source of the truth. The solution should be completely audited and impossible to manipulate, with a view of the lifecycle and a certainty of the stage the transaction is at, making it as similar to the FedEx model as possible. **AST**

"If the front office disagrees with the middle office, it will prompt a manual investigation. That means the manual effort is on 1 or 2 percent, rather than 100 percent, of the transaction reporting process"

Neil Vernon, Chief technology officer, Gresham Computing

Industry Recruitment

Prime Brokerage Product Control

Recruiter: Bruin
Location: London

One of the world's leading investment banks is seeking a product controller to join its prime brokerage team in London. The successful candidate will sit in the swaps, delta one and ESF team, covering a broad variety of tasks across the team.

Change Manager, TA

Recruiter: HornbyChapman Ltd
Location: London

Our client, a major global custodian, is looking for a highly experienced change manager to work within their UK TA business. Responsibilities include overseeing large and complex change that impacts the UK transfer agency business. The ideal candidate should have a detailed knowledge of transfer agency procedures and processes as well as technical and operational experience of change management.

Collateral Client Services Associate

Recruiter: CloudMargin
Location: London

This collateral client services associate will take day-to-day ownership of the relationship with our rapidly growing client base. You will liaise with both new and existing clients, as well as having the responsibility for ensuring complete client satisfaction in line with CloudMargin's mission.

Director, Regional Product Head

Recruiter: HornbyChapman
Location: London

The purpose of this role is to refine, evolve, lead and grow the custody and fund services products and services provided to clients across the region.

Industry **Events**

10th Clearing, Settlement & Custody Asia Forum

Date: 8-11 March 2016

Location: Singapore

Asia's leading and longest running post-trade event, the 10th Clearing, Settlement & Custody Asia provides a platform for middle and back office executives.

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.

For more events visit assetservicingtimes.com/events/events.php

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Comings and goings at Pershing, Bravura and more

MUFG Investor Services, the asset servicing arm of Mitsubishi UFJ Financial Group, has appointed **Mark Catalano** as executive director of business development.

Previously head of US business development at Atlas Fund Services, Catalano will now be responsible for driving client engagement with MUFG's asset servicing solutions in the Americas.

Mark Catalano joins MUFG Investor Services to improve client engagement in the Americas

He has also previously held the role of director of product and business development for alternative fund services at Deutsche Bank, as well as positions at Fidelity Investments and Arthur Andersen.

He will report into John Sergides, managing director and global head of business development and marketing, at MUFG.

Sergides said: "Mark Catalano's appointment is a key hire in our strategy to grow organically and continue providing best-in-class asset servicing solutions for clients. His expertise and understanding of the Americas market underpin our growth plans over the coming years."

Catalano said: "Joining MUFG Investor Services provides an exciting opportunity to share my experience in a team that already demonstrates deep industry knowledge and a commitment to exceptional client service. I look forward to helping MUFG Investor Services achieve its growth plans by partnering with clients throughout the investment lifecycle."

Software provider Bravura solutions has recruited **Peter Mann** to its board as an independent non-executive director.

Peter Mann brings 30 years of experience to the Bravura board, joining as non-executive director

Mann was previously CEO of Skandia, which was acquired by Old Mutual Group. He was then vice chairman of Old Mutual, where he was involved in the firm's growth strategy.

Tony Klim, CEO and managing director of Bravura Group, said: "Peter Mann brings a wealth of knowledge to the team. He is a well-respected business leader with over 30 years of experience in the industry."

During that time he has been a substantial contributor to the development of the UK wealth management market. His experience in leading both provider and adviser businesses adds significant value and insight to the Bravura board."

Mann said: "With the continuously changing market environment, there is significant opportunity for Bravura to expand its business with efficient, cost-effective solutions."

"I am excited to be joining the leading provider of next generation systems in both wealth management and fund administration and look forward to contributing to Bravura's future growth."

SS&C has appointed **Kok Cheong Hong** as managing director of its Malaysian business.

In his new role, Hong will oversee operations in general, including sales, service delivery and strategic accounts.

He replaces **Phil Banas**, who has retired from the role of managing director of the Asia Pacific region.

Previously, Hong was country general manager of IBM's software group in Malaysia, and he has also held management positions at the likes of Genesys, NCR, Sun Microsystems, and Informix.

Joining from IBM in Malaysia, **Kok Cheong Hong** will now oversee SS&C's operations in the region

At SS&C, he will report to Christy Bremner, senior vice president and general manager of the SS&C institutional and investment management division.

Hong said: "I am honoured to lead SS&C Malaysia to the next stage of development and growth, particularly in the expansion of its cloud-based investment management solution strategy."

He added: "I look forward to applying my organisational leadership and business development skills to help SS&C deliver against the needs and challenges of its customers in the areas of accounting, data management, reporting, compliance, risk, and tax."

BNY Mellon subsidiary Pershing has named **Lori Hardwick** as its new COO, effective 29 February.

Hardwick joins Pershing from Envestnet where she was group president of advisory services in charge of overseeing all of its enterprise relationship management, institutional and global advisory sales, strategic partnerships, and practice management programmes.

She succeeds **Lisa Dolly**, who was recently appointed as CEO.

Dolly said: "We're fortunate to have Lori Hardwick, a successful and highly qualified leader with an extensive track record of success and business growth, joining BNY Mellon's investment services team."

Lori Hardwick will work alongside Lisa Dolly as the new COO of Pershing, a subsidiary of BNY Mellon

"[She] brings many years of investment, technology and advisory expertise to Pershing and will help us deliver solutions which empower clients and improve the advisor and investor experience."

Brian Shea, vice chairman of BNY Mellon and CEO of investment services, added: "Lisa Dolly and Lori Hardwick will be a dynamic and complementary leadership combination, adding strength and depth to an industry-leading team."

"Their experience, client focus and solution orientation will help propel our clients and our business to a higher level of success."

Wolters Kluwer has promoted **Yong Zhao** to the position of general manager for the financial services market in China.

Zhao will be based in Shanghai, and is charged with promoting the company's growth in that market.

Chris Puype, managing director of the Asia Pacific region for the Wolters Kluwers financial services business, said: "We are excited to be utilising Zhao's extensive knowledge of the local operating environment as we look to further develop our presence in North Asia."

Zhao replaces **Michael Thomas**, who plans to retire as head of China operations and director of North Asia in June. Thomas will continue to work with Wolters Kluwer in an advisory capacity.

Puype said: "We extend our gratitude to Michael for his significant contributions to our success in China and beyond."

Zhao is currently head of professional services and deputy general manager for China at Wolters Kluwer, working on risk management, compliance, finance and audit solutions in financial services.

He has previously worked at Lombard Risk, where he was responsible for regulatory reporting projects across Asia.

Lisa Tomada moves from the role of legal counsel for capital markets to global head of securities lending

CIBC Mellon has appointed **Lisa Tomada** as global head of securities lending, following the promotion of **Jeffrey Alexander**, who held the position previously.

Tomada previously served as legal counsel for capital markets as CIBC Mellon and BNY Mellon navigated the 2013 merger of their securities lending programmes.

Tomada said: "CIBC Mellon and BNY Mellon are known across the industry for delivering strong, attentive client service that helps set us apart in the industry. I am very excited to take on this new role and I look forward to collaborating with CIBC Mellon's asset servicing clients as they tap into securities lending to help achieve their goals."

Alexander took on a new role as vice president and head of relationship management in February. **AST**

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