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EC orders revision of MiFID II

The European Commission has asked the European Securities and Markets Authority (ESMA) to revise three of the draft regulatory technical standards (RTS) outlined in the Markets in Financial Infrastructure Directive (MiFID) II.

The commission rejected ESMA's standards on non-equity transparency, ancillary activity exemption and position limits, requesting the authority to reconsider the standards while taking the European Parliament's position further in to consideration.

Markus Ferber, the European Parliament rapporteur for MiFID II, said: "The latest drafts were far from being acceptable for the European Parliament. Especially, the position limits regime urgently needs a comprehensive redrafting in order to effectively curb food speculation. So far, neither ESMA nor the commission have managed to deliver. The latest drafts were just not up to standard and would not have solved the problem at all.

"The commission is right to be afraid of the technical standards being rejected by the European Parliament—hence, further work is necessary. I expect ESMA to revisit those technical standards swiftly, thoroughly, and to adapt them in line with the European Parliament's remarks."

Redrafting the standards must not lead to a further delay to the implementation of MiFID II, which has already been pushed back from the original implementation date of 3 January 2017 to January 2018.

Ferber said: "The European Parliament's concerns on this topic were known and available for quite some time. Therefore, the commission and ESMA could have easily acted earlier."

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Deutsche Börse and LSEG reach merger agreement

The London Stock Exchange Group (LSEG) and Deutsche Börse have reached an agreement on the terms of an all-share 'merger of equals', which will not be dependent on the outcome of the UK's referendum on its EU membership.

The merger will be completed through establishing a new UK holding company, UK TopCo, which will acquire both LSEG and Deutsche Börse, with the acquisitions governed by the City Code and German Securities Acquisition and Takeover Act.

LSEG shareholders will take a 45.6 percent stake in UK TopCo, with Deutsche Börse shareholders owning the rest.

Combined, the two institutions hope to be well placed to adapt to changes in the industry, to increase the global footprint of both organisations, and to improve reach and distribution.

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Industry blasts source code rules

Trade bodies have expressed concern over the source code retention rules of the US Commodity Futures Trading Commission (CFTC) Regulation Automated Trading, or Reg AT.

After the CFTC declined to extend the 90-day comment period on the regulation, industry players have submitted their responses.

Reg AT was designed to enhance the regime for automated trading on US contract markets and to modernise regulatory oversight. Under the proposed rules, participants must retain source codes and make them available to the CFTC or Department of Justice, on request.

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EC orders revision of MiFID II

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ESMA has responded to the request, first pointing out that the stipulated deadline for the commission's feedback on the RTS was, in fact, the end of December 2015.

However, in a letter of response, ESMA chair Steven Maijoor said: "ESMA understands that MiFID II is a complex and extraordinary project and, being conscious of the considerations around creating legal certainty as soon as possible and achieving a clear basis for the implementation work of MIFID II to start, ESMA takes this as an exceptional case."

ESMA has agreed to the amendments, assuming that the European Commission will endorse the RTS once the specific changes have been made, and that there will be no more amendments from the commission in the future.

Maijoor said ESMA will start working on the amendments unless the commission rejects these assumptions by 29 March.

Deutsche Börse and LSEG reach merger agreement

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The outcome of the UK's EU referendum, set for 23 June, is not a condition of the merger. LSEG and Deutsche Börse have established a referendum committee that will consider the effects of a vote for the UK to leave the EU, making recommendations to both boards, and to the board of UK TopCo after the merger.

Both parties are of the opinion that a combined group would be in a good position irrespective of the outcome of the vote, however, the result may have an effect on the nature or the volume of business that the combined group carries out.

The board of UK TopCo will have equal representation from Deutsche Börse and LSEG.

Following completion of the merger, Xavier Rolet will step down as CEO of LSEG, becoming an advisor to the chairman and deputy chairman in order to help facilitate a smooth transition—an arrangement expected to last up to a year.

Donald Brydon, current chair of LSEG, will become chair of UK TopCo, and Joachim Faber, current chair of the supervisory boards at Deutsche Börse, will become deputy chair and a senior independent director. Deutsche Börse CEO Carsten Kengeter will be CEO of UK TopCo, while LSEG CFO David Warren will move to the same position at the combined group.

Rolet said: "We are creating an industry-defining combination which will be a leading global market infrastructure business, very well positioned to create new benefits and efficiencies for our customers and increase value for our shareholders."

The group will maintain headquarters in London and Frankfurt, and regulated entities within the group will remain unchanged, subject to customary approvals and final regulatory approvals.

The merger is expected to be completed either at the end of 2016 or in Q1 2017.

Industry blasts source code rules

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The global futures trade organisation FIA wrote in its response letter that it supports the commission's goal to mitigate risk arising from algorithmic trading activity, in order to increase transparency and keep rules updated, however it also noted that the regulation does not protect market participants' "critically important and sensitive" information.

"FIA believes that this relaxed standard of inspection without requiring any formal process of law potentially violates source code owners' constitutional rights."

"Source code is the lifeblood of many firms' commercial success, and the CFTC's proposal is unprecedented among government agencies."

The Managed Funds Association (MFA) also provided a lengthy response to the proposed rules, suggesting that the regulation attempts to address too many issues under a single umbrella.

Its letter said: "Regulation AT is overly expansive in breadth and scope, and uses an unduly broad brush to regulate automated trading by disparate types of market participants."

It also pointed out that under the proposed rules, regulated entities have to document strategy and design of algorithmic trading software, and any changes to that software.

As these algorithms are often revised, this "would be burdensome and add an additional and unnecessary layer of books and records requirements", according to MFA.

Although MFA said it understands the need for the commission to have access to confidential material, "in the appropriate circumstances", making all source codes available would be "a monumental source of risk, anxiety and exposure for many MFA members".

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The letter went on to say that participants should not have to hand data over to the authorities who have "no need to allege or make a showing of manipulation, fraud or other wrongdoing". It also noted that the threat of cyber attack on government entities could mean data is more exposed than necessary.

The FIA also raised issues around risk controls and their reflection of market practice, and suggested that parts of the regulation are too prescriptive to encourage good risk-management policies.

It highlighted burdensome reporting requirements, unnecessary requirements around self-trade prevention and the costs and difficulty of compliance.

"FIA fully supports the commission's goals and objectives in enhancing the regulatory regime for automated trading but is very concerned that Regulation AT will not achieve these goals."

Markit and IHS to merge

Financial research providers IHS and Markit are planning a merger valued at $13 billion.

The combined company will be rebranded as IHS Markit and will be centred in London, with key operations remaining in Englewood Colorado, where IHS is currently based.

The transaction has already been unanimously approved by the boards of directors of both companies and is expected to be completed in the second half of 2016, following shareholder approval.

Markit and IHS shareholders will own approximately 43 percent and 57 percent respectively on a fully diluted basis. IHS Markit has already pledged to $2 billion of share repurchases over 2017 and 2018.

Jerra Stead, current IHS chairman and CEO, will assume the role of chairman of the board of directors and CEO of IHS Markit, while Lance Uggla, current Markit chairman and CEO, will be president and a member of the board of directors.

Uggla will assume the role of chairman of the board and CEO of IHS Markit upon Stead's retirement on 31 December 2017.

The board of directors of IHS Markit will be comprised of 11 members, with IHS designating six members, including the chairman, and Markit designating five members, including the lead director, from their current boards.

Stead said: "This transformational merger brings together two information-rich companies to create a powerful provider of unique business intelligence, data and analytics to a broad and complementary customer base."

"IHS Markit and its shareholders will benefit from enhanced product innovation to deliver strong returns across economic cycles. Importantly, the two companies are values-based organisations that have a strong cultural fit which focuses on customer satisfaction and colleague success."

Uggla added: "This is an exciting transaction for customers, employees and shareholders of IHS and Markit. Together, we will create a global information powerhouse and a platform for innovation that drives future revenue."

"At the heart of our shared vision is the opportunity to offer our customers a broader and richer content set through both existing and new products that will support their critical decision making and manage regulatory change. The combination will enhance cash flow and enable stronger returns of capital to shareholders."

Investors still hungry for ETFs

Appetite is increasing for exchange-traded funds (ETFs), according to the EDHEC-Risk annual European ETF survey.

The survey found that ETFs are making up an increasing proportion of portfolio holdings across traditional asset classes. In 2015, 91 percent of respondents said they use ETFs to invest in equities, compared to 45 percent in 2006.

In 2015, 82 percent said they use ETFs for investing in commodities, compared to 15 percent in 2006, while ETFs for government and corporate bonds and real estate also saw significant increases.

Six out of seven asset classes saw an increase in their ETF market share, compared to 2014. Equities, government bonds and infrastructure each saw a 1 percent increase and commodities saw a 3 percent increase, but corporate bonds and real estate saw a 10 and 11 percent increase, respectively. Hedge funds noted a 3 percent decrease in their ETF market share.

Satisfaction rates remained at a high level, increasing from 91 percent in 2014 to 98 percent in 2015. According to the survey report, rates of ETF satisfaction have been around 90 percent since the survey began in 2006.

But some typically high-scoring asset classes saw slight decreases in their satisfaction rates. Government bonds dipped from 94 percent to 89 percent, while corporate bonds scored 81 percent, compared to 90 percent in 2014.

Just under 60 percent of respondents said they intend to increase their level of ETF usage, while 35 percent plan to maintain their usage, and only 5 percent plan to reduce it.

This was found to be primarily down to cost factors—80 percent of respondents said they are motivated by costs, compared to 70 percent in 2014.

Half of the respondents said they were motivated by performance, while liquidity and transparency were cited as motivation by 45 percent and 46 percent, respectively.

SS&C acquires Citi's alternative investor services business

SS&C has completed its acquisition of Citi's alternative investor services business, completing the purchase for approximately $321 billion.

The Citi business is reportedly a top-10 fund administrator, and the acquisition means SS&C will gain around $395 billion in assets under administration.

The group will operate as a separate business within SS&C GlobeOp, with 1,400 staff remaining in their positions, including the group's leaders.

Mike Sleightholme will continue to run the Citi alternatives business hedge fund services, and Joe Patellaro will remain in charge of private equity services. Both will report to Rahul Kanwar, head of alternative assets at SS&C.

Bill Stone, chairman and CEO of SS&C Technologies, said: "The combination of Citi's Alternative Fund Services Business and SS&C GlobeOp will create a worldwide fund administration powerhouse. The combined entity will have over $1 trillion in assets under administration."

He added: "We intend to extend our lead in globally delivered, technologically advanced fund services."

ESMA agrees to work with South Korean central counterparties

The European Securities and Markets Authority (ESMA) has signed a memorandum of understanding to cooperate with South Korean central counterparties.

The agreement established cooperation arrangements, including exchange of information, with central counterparties that are established and authorised, or recognised, in South Korea, and which have applied for EU recognition under the European Market Infrastructure Regulation (EMIR).

It was signed by ESMA, the South Korean Financial Services Commission and the country's Financial Supervisory Service.

EMIR allows for cooperation between ESMA and non-EU authorities that have legal and supervisory frameworks deemed equivalent to EMIR by the European Commission.

Russia and Turkey earn gold standard in compliance

Russia and Turkey have been awarded the highest possible grade for their adherence to the Basel risk-based capital framework and the liquidity coverage ratio (LCR).

The Basel Committee on Banking Supervision has published a series of reports assessing the quality of regulatory implementation within the two countries as part of its regulatory consistency assessment programme.

The committee rated both countries as 'compliant', the highest of four possible ratings, for their domestic implementation of the risk-based capital framework, which was considered to be in line with the LCR standards.

Several aspects of the domestic rules in both countries are actually more rigorous than required under the Basel framework, according to the committee.

The regulatory consistency assessment programme analyses a jurisdiction's adopted standards and the significance of any deviations from the regulatory framework.

However, the programme does not take account of a jurisdiction's bank supervision practices or evaluate the effectiveness of the regulatory capital and high-quality liquid assets for individual banks or the banking system as a whole.

RBC launches new FX service

RBC Investor & Treasury Services has launched a new foreign exchange (FX) execution service for institutional investors.

The new product, Unity FX, is an outsourced solution for consolidating and simplifying operational FX requirements that could span multiple venues and providers. It is intended to help both asset owners and investment managers to improve transparency and oversight in executions, while reducing cost and operational and financial risk.

Unity FX will process and execute all trade-related FX requirements, regardless of custodians and investment managers in the transaction chain. Clients will define their own execution parameters, delegating all operational requirements to RBC.

Mark Hogg, head of FX product development, treasury and market services at RBC Investor & Treasury Services, said: "UnityFX has been launched in response to increased demand for delegated execution solutions, both for operational FX and currency overlay."

"Institutional investors are increasingly looking for tailored solutions that optimise their execution and operating models, lower costs, improve transparency and allow them to refocus on core priorities and competencies."

CCB wins clearing authorisation

The Frankfurt branch of China Construction Bank has received authorisation as a trading and direct clearing member for cash and derivatives markets operated by Deutsche Börse Group.

The approval means Chinese issuers and Asian investors will be able to access the German and European capital markets more easily. The bank will also be able to participate in the China-Europe International Exchange (CEINEX).

China Construction Bank Frankfurt branch is the first Chinese direct clearing member at Eurex Clearing for both cash and derivatives markets.

Michael Peters, a member of the Eurex Frankfurt executive board, said: "We welcome the China Construction Bank as member of the Frankfurt Stock Exchange as well as of Eurex and Eurex Clearing."

"China Construction Bank, the leading commercial bank in China and among the largest banks in terms of market capitalisation globally, and its Chinese and Asian clients will benefit from direct access to the German and European capital markets."

Xie Junle, general manager of China Construction Bank, Frankfurt branch, said: "Deutsche Börse's trading platforms are robust, transparent and provide highest standards in regards to security mechanisms. Moreover, we are excited to support the mission of CEINEX to establish a bridge between China and international markets."

Chen Han, CEO of CEINEX, said: "This marks an important milestone and strengthens our efforts in promoting the development of our new liquidity pool for China and renminbi-denominated products of CEINEX."

2015 a good year for Guernsey

The Guernsey Financial Services Commission has seen a 3.7 percent increase in the net asset value of all funds under management and administration in the island.

At the end of December 2015, the total value of funds stood at £227.6 billion, £8.2 billion, or 3.7 percent, more than the total at the end of 2014.

This followed on from a positive Q4, which saw the total value of the funds business increase by 1.2 percent, or £2.7 billion.

In Q4 2015, closed-ended funds saw a 1.6 percent increase, totalling £140.6 billion. However, the value under management and administration in open-ended funds saw a slight 1 percent decrease to a final figure of £39 billion.

For 2015 as a whole, this represents an increase of £4.8 billion, or 3.5 percent, for closed-ended funds, and a dip of £700 million, or 1.8 percent, for open-ended funds.

Dominic Wheatley, CEO of Guernsey Finance, said: "It is extremely pleasing to see that we ended last year with a further quarter of growth and that we saw an increase of more than £8 billion for 2015 as a whole."

"These are encouraging signs and I'm sure our funds industry will look to capitalise on this momentum as we move through 2016."

Guernsey approved 27 new investment funds in Q4 2015, meaning the current number of funds approved for domiciling or serving in the island now totals 1,012.

ICAP's blockchain test a success

ICAP's post-trade risk and information (PTRI) division has completed a proof-of-technology test case for a distributed ledger using blockchain technology.

The test used the multi-asset messaging and matching network Harmony, and New York blockchain infrastructure provider Axoni, creating a private peer-to-peer distributed ledger network using smart contracts.

Matched messages from bilaterally executed foreign exchange spot trades were imported from the Harmony network and converted into blockchain-based smart contracts. These contracts were distributed to nine representative participant nodes on the network.

The network proved to provide automation for the full complex lifecycle. It offered privacy in transactions and sufficient processing power to support high volumes, and allowed for automated reporting.

According to ICAP, the test showed that blockchain has the potential to provide a common source of user transaction and reference data across assets. This could improve the accuracy of data and

allow updated copies of the data to be stored locally, while code messages can allow information to be seen only by the intended participant.

The technology could mean reduced operational risk and improved reconciliation and operations processes, leading to significant back-office and technology savings.

Jenny Knott, CEO of ICAP's PTRI services division, said: "In successfully completing a proof of technology test, ICAP has demonstrated one of the first real world applications of distributed ledger technology that has the ability to significantly transform the post trade landscape."

"Realising the value of ICAP's unique portfolio of PTRI businesses and investee companies, we have combined our expertise, networks and technology with Axoni's distributed ledger technology to push the boundaries of post-trade innovation."

Greg Schvey, CEO of Axoni, added: "There's no shortage of demand for distributed ledger projects. ICAP's thoughtful consideration of where this technology can be most valuable, its ambitious deployment objectives, and market-leading client reach offer a high probability of success when combined with Axoni's advanced blockchain infrastructure."

ICAP has also expanded its PTRI services for the Markets in Financial Instruments Directive II and Regulation, offering a broader range of products to meet new cross-asset reporting and processing obligations.

The new solutions will build on requirements under the Dodd-Frank Act, the European Markets Infrastructure Regulation and other global regulations. They will include provision of trade certainty for venue-executed trades, trade and reporting services and global central counterparty connectivity for over-the-counter executed trades.

Knott said: "ICAP is once again at the forefront of innovation with agnostic connectivity and the ability to support market participants in meeting their regulatory clearing, publication and reporting obligations in an accurate, efficient and flexible manner."

Markit launches FX affirmation service

Financial information provider Markit has launched a new service that enables banks to affirm foreign exchange (FX) trades executed by inter-dealer brokers.

MarkitSERV FX Broker Affirmation aims to provide a platform for banks to consolidate trade notifications from multiple inter-dealer brokers and validate transaction data,

before trades are processed into trading and risk systems.

The service covers foreign exchange spots, forwards, swaps, barrier options, vanilla options, digital/binary options, and non-deliverable forwards, swaps and options.

It can also be used when multiple products are combined in strategy trades, and it uses FpML messaging and facilitates trade reporting and clearing obligations.

The service is already used by seven inter-dealer brokers and eight banks.

Service user David Perkins, managing director of electronic broking for Europe, the Middle East and Africa at Tullett Prebon, said: "We are delighted to have collaborated with Markit on the development of this service."

"Our adoption of this service underscores our commitment to meeting the needs of our clients in what is a rapidly evolving market environment. This new service will further enhance our strong franchise within the foreign exchange market."

Chris Leaver, managing director and head of business development for MarkitSERV FX, added: "Managing industry processes such as trade affirmation using a central network helps the foreign exchange market reduce complexity, cost and risk."

"By connecting participants and standardising trade management workflow, MarkitSERV helps firms scale their businesses, become more efficient and remain operationally resilient as the FX market grows."

Liquidnet expands in to Taiwan

Trading network Liquidnet now allows for direct trading of Taiwan-listed securities.

More than 800 asset managers and investors use the trading platform to execute trades anonymously and therefore with minimal market impact.

The move to list Taiwan equities is a continuation of the network's expansion in Asia Pacific, and a record year of trading in the region, attributed primarily to institutional investors' demand for large-scale liquidity opportunities. Participants now have access to 12 Asia Pacific equity markets and 44 markets worldwide.

Lee Porter, head of Liquidnet in the Asia Pacific, said: "For the past eight years, Liquidnet has been one of the best venues for accessing unique, institutional-sized liquidity in Asia-Pacific names. Our launch of Taiwan equities follows successful launches of trading in Thai, Indian and Philippines equities and further demonstrates our commitment to providing institutional investors with access to large-scale liquidity in the region."

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Blurry visions

TSAM Europe got a little futuristic with talk of tech, data innovation and blockchain, but plans may be marred by the regulations up ahead

Speakers and delegates at TSAM Europe gathered in London to take a peek in to the future of asset management. Presentations predicted future disruptions and explored the upcoming regulatory challenges, while others addressed the swathes of data that managers will face, likely sooner rather than later.

An opening keynote speech from David Wood, chair of London Futurists and principal at Delta Wisdom addressed disruption as the 'elephant in the footpath', suggesting that the industry should anticipate "disruption that is going to be faster and more profound than we're used to".

Wood suggested that asset managers can be distracted by issues they deem to be more pressing, such as operational requirements and enhancing products to address issues arising in the more foreseeable future. He said that, additionally, firms should strive to prepare for the unexpected, via studying technology trends and embracing organisational agility.

The pace of disruption is set to accelerate, he said. As new software is developed, it is used to help build the next generation of software, while a growing population means more people to come up with new innovations, solutions and products.

At the same time, as technology improves, more people have access to better education, and can network together, meaning ideas can spread and multiply. Wood pointed out that there are more engineers, innovators and entrepreneurs than ever before, approaching issues from different angles.

"There's going to be more disruption ahead," he said, adding: "We're living in a very complicated world".

With regard to technological developments, Wood argued that new technology can take some time to get beyond its initial potential, and that disruption takes a long time in gestation.

There is often hype around technology, "especially by technology enthusiasts", however, because of a lack of usability and limited integration and support, there are often disappointments before a new technology breaks through, at which time a new platform will take off and previous platforms will lose their competitiveness. He said: "We'll have to be quick and nimble on our feet to transition."

Wood applied this to the rise in blockchain technology, suggesting that it is going to change the industry significantly. He suggested that asset managers owe it to their companies to monitor such trends, to

build scenarios, identify what he called “canary signs”, and work to “understand not just what’s credible but what’s desirable”.

He concluded: “To be frank, I can’t yet make my mind up about how disruptive blockchain is going to be.”

Although bitcoin may not have lived up to its hype so far, Wood argued that the “underlying tech is very sound” and that blockchain is “genuinely valuable and innovative”.

He said the technology is “in the slow and sleepy phase” rather than the “fast and furious”, but stressed that the industry should prepare “to thrive on the disruption ahead rather than being victims of it”.

A panel discussion addressed the uncertainties in the regulatory landscape for asset managers, with one speaker pointing out that disruption in the industry is part of everyday life now, and that it “influences very practical matters”.

He added that where banking regulation leads, other industries tend to follow soon after.

Specifically, he pointed to the Trading Book Review, which could affect the cost of trading and portfolio allocation, as well as derivatives trading rules, making central counterparties (CCPs) a more important part of the banking infrastructure and therefore a greater risk if they were to fail.

Another panellist also expressed some concern over mandatory central clearing, saying: “We are concerned what might happen in a stress scenario, in a crisis, to clearinghouses.”

In such a scenario, he said, the first priority would be to save the CCP at all costs, and “unfortunately it’s the money of the investors” that might be put at risk.

The speaker raised the issue of the financial stability agenda, which is influencing work on a global scale. “We face a fairly uncertain prospect,” he said, suggesting that concerns still remain “more broadly from non-banks and non-insurers”.

He added, however, that while regulators initially tended to focus on the size of asset managers and their funds, regulatory processes are now “much more sophisticated and we welcome that”.

Regulations should address markets more holistically as “an ecosystem of all players”, considering what regulation for all could mean for wider-reaching financial stability, he said.

Responding to a question about unforeseen consequences of the regulatory agenda, panellists generally agreed they haven’t necessarily seen anything unexpected. One said: “The good thing is that the authorities are now beginning to think about the cumulative impact.”

Another added: “Regulators are far more joined up than they used to be,” although he continued to say that both regulators and institutions are still in siloed models, and “always will be”.

In the data management stream of the conference, chair Ronan Brennan, chief technology officer at Accudelta, opened by stressing: “In order to make good investment decisions we need good data.”

Brennan suggested that there are not as many chief data officers in asset management as there should be, and that the industry needs to shift from an emphasis on data quality to data governance, to ensure data is being used in a contextually correct manner.

This requires good data, data integrity and a good structure to the data, he said, and while technology can be used as a framework, it is not a “silver bullet”.

Andrew Barnett, head of investment data at Legal & General Investment Management, agreed on the importance of recognising the value of data, saying that it is important to get interest from an executive level of an organisation from day one. He argued that the attention put in to data “should equate to the amount of attention and detail they put in to managing money”.

Another panellist suggested that the challenge comes because “there isn’t a clear means of communication”.

He suggested that either recipients of data are unsure of exactly what they’re looking for, or those providing in the data cannot deliver the specific information. With different definitions of things like the investment book of record, and with all participants trying to seem like experts on data management, lines of communication tend to break down, he said.

However he conceded that finding the key to data innovation is “not necessarily the most pulse-racing thing out there”.

Later, Patrick Engelhard, head of market and master data at Zurich Insurance Company, asked why the industry needs data governance, saying: “Regulatory changes are only a small piece of it.”

He argued that governance is also driven by clients’ increasing need for information and transparency, as well as by changing market conditions and business strategies, new systems and a changing application landscape.

Engelhard added that the industry should focus on utilisation, suggesting that there could be more value to be gleaned from data that has not been explored yet.

With more attention from regulators, firms need to have an idea of how to handle data requirements in the future, ensuring they have complete transparency on data lineage; where the data came from, and how they are using it. At the same time, he said, more and more stakeholders are becoming involved.

“Data management teams should be the microscope and the telescope at the same time,” said Engelhard.

Teams have to have a granular view of the data, but must also be able to see the bigger picture and wider impacts of it.

Although quality of data is an important part of achieving this, Engelhard argued that, actually, the people involved in data management, the business structure and the technology used are equally important for properly understanding data. He urged delegates to ask: “What is the legitimation for the existence of that data?”

It takes data interpretation to turn information in to knowledge, he said. Once data comes in to an organisation it has to be transformed in to information, which then has to be transformed in to meaningful knowledge. Before this is possible, organisations have to have a business model that is fit for purpose and disciplined staff members with zero tolerance of error.

Engelhard concluded by stressing that good data governance can make asset managers’ lives better, but that the industry does not have it entirely figured out yet. He said: “We are on the journey, so to speak.” **AST**

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Netting it right

Individual gross trades are so passé, and Calastone has a solution all tied up, according to chief commercial officer Jon Willis

What are the main challenges for distributors in the mutual funds industry?

I see two main challenges in mutual funds distribution today. The first is that when a distributor buys a whole series of funds from a fund manager, all of those transactions are completed on an individual trade level. The underlying systems record one trade at a time, each with an expectation of money, and on settlement day that money is expected to move in one way or another.

People spend a lot of time trying to manually work out whether the money they have received is what they expected, based on emails and even fax messages from counterparties saying what they have sent and how it relates to those trades. It's a lot of post-settlement activity and it's very painful on reconciliations.

The second challenge is the way that the banking system works with regards to CHAPS. Participants try to send their payments as early as possible, but for those waiting for the money to arrive, there is sometimes a point where the payment has been sent but not yet received—it's just somewhere out in the ether.

This tends to happen because everything runs through central clearing. CHAPS departments work first on sending payments out, and receipt allocations come later. While the money may have been sent out, it won't hit the recipient's account until it has been properly allocated through the system. A big distributor may have to move money between a whole host of fund managers. If they're buying, that's fine. But if they're selling, distributors have to get that money back before sending out to the clients, or fund on a gross basis until the end of the trading day.

At the same time, with the new Client Assets Sourcebook rules, regulators are starting to look much more closely at intra-day exposure and clients' money, which means eventually individual client allocations will need to be protected during the day.

Why is this such a big problem?

In 2015, there was £303 billion of trading value moved between participants across mutual funds.

Calastone has been looking at that to see if those trades can be netted, not just to one movement each way, but to one single movement combining all the sales and all the repurchases, moving funds only one way.

Trading activity across our own network totalled about £143 billion in 2015, and we found that if we had used that netting technique, that would have been reduced to about £68 billion, less than half of the actual total.

About 52 percent of the total trade aggregate value is, in effect, moving unnecessarily. For the entire market, that equates to about £158 billion in unnecessary settlement payments. These money movements have to be tracked, reconciled, and funded, which is a significant burden on the industry.

We have created a net settlement solution, which, first of all, is a matching engine allowing both buyers and sellers to allege and match trades no later than T+2. On settlement day-minus-one both parties have to approve the net cash movement again. It means both parties can start creating their potential cash ladder in advance of settlement day, and, importantly, they can know if they're going to be long or short.

How does the trading value translate in to costs for participants? What could they save?

Additional payments mean additional banking costs; if more than half of the CHAPS payments are unnecessary, participants could effectively half their CHAPS costs.

There is also a cost to creating that intra-day liquidity, whether this is because firms can't utilise money where they would like to, because they have to agree intra-day overdraft limits in order to fund flows, or because they're simply keeping more cash available. There is both a physical banking costs and a cost of non-use.

It would be great to calculate what that cost adds up to, but when banking charges vary and potential funding costs are different, calculating the real costs to the industry is difficult. Having said that, if half of the payments moving around could disappear, I would assume that the savings would be significant.

Why haven't participants been aware of this before?

It's a combination of issues: people have not been aware of the numbers involved; there hasn't been a solution available; and they haven't been able to calculate the costs, either.

To a degree, payments are now relatively automated. The difference is that they're done on a trade-by-trade basis. There's no point in automating payments until you have automated orders. Equally, there were potentially more manually intensive processes that needed a solution, so this had not been a priority.

However, we are trying to solve problems across the entire lifecycle of the investment, and this has become key. Regulators are focusing more on intra-day risk, which increases the more money is moved around. There is also more focus on client money and asset protection. Whereas before, as long as everything was balanced at the end of the day it was broadly okay. Regulators are now making sure clients' money isn't used to settle other clients' trades—even on an intra-day basis. So in total the costs are becoming much greater.

Is this part of a wider culture-change in the industry?

Looking at the way that the regulators have been trying to make sure the investment funds and the whole industry are safe and protected, the focus is very much on the client. The client starts with an amount of money to invest, and only parts with it when he or she has a realisable asset that is protected. The client is never left exposed.

Our commercial settlements system solves this problem for the funds industry. It's a product specifically for the mutual fund market and for UK settlement practices, which provides an economical way for our clients to ensure that they keep their clients protected. **AST**

Industry **Recruitment**

Corporate Actions Associate

Recruiter: Core-Asset Consulting
Location: Glasgow

Core-Asset Consulting's client, a leading global financial services firm has an exciting opportunity for a corporate actions associate located in Glasgow.

Capital Markets Front to Back Change – Business Analyst

Recruiter: Alexander Ash
Location: London

My client is a globally leading consultancy looking for experienced change professionals to join its capital markets practice. Successful candidates will be responsible for the delivery of large-scale capital markets projects to tier-one investment banks and financial institutions.

Senior Business Planning Manager

Recruiter: HornbyChapman Ltd
Location: Hong Kong

Our client, a major international bank, is looking for a business process manager for its securities services technology and operations area, which owns the end-to-end delivery and service, supporting securities services within transaction banking.

Prorgramme Manager, Securities Services

Recruiter: HornbyChapman Ltd
Location: Hong Kong

Our client, a major international bank, is looking for a senior programme manager to support its securities services business across multiple countries and hubs.

Industry Events

FundForum International

Date: 06-08 June 2016

Location: Berlin

We are delighted to bring you news of the new-look new-location FundForum International 2016. Taking place in Berlin, this year's event is set to be the most ambitious in FundForum's 26-year history, with chances to meet and network with investor and distribution partner firms, global asset managers, service providers and innovators.

NeMa 2016—Network Management

Date: 14-16 June 2016

Location: Dubrovnik, Croatia

NeMa is the premier network management event for the securities industry, with more than 500 custodians, CCPs, CSDs, brokers and regulators in attendance. Expert speakers will discuss the challenges, evolution and future of the network management and post-trade industry, while three evening functions offer additional networking.

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

Comings and goings at ASX, SS&C and Broadridge

CEO and managing director of the Australian Securities Exchange (ASX) **Elmer Funke Kupper** has resigned in order to focus on a bribery investigation in to his previous firm, Tabcorp.

Funke Kupper has held the CEO position since October 2011. **Rick Holliday-Smith**, currently ASX chair, will take over the role of executive chairman until a new managing director and CEO can be found.

Funke Kupper has been CEO at the Australian Securities Exchange since October 2011

Funke Kupper was CEO of gaming firm Tabcorp when it allegedly made a payment to a family member of the Cambodian prime minister in 2010, when Tabcorp was seeking to obtain a licence to expand in to the country.

The transaction is now being investigated by Australian anti-bribary agencies.

Holliday-Smith said: "The ASX board accepted that Elmer Funke Kupper wanted to direct his full focus to the investigations which may be made into the Tabcorp matter—and not have them interfere with the important role of leading the ASX."

He added: "He hands over a stronger team and a core franchise well positioned for future opportunities."

"His legacy is a globally competitive, more externally focused company, which is committed to innovation and investment in the customer services and infrastructure that are at the heart of Australia's financial marketplace."

Broadridge has expanded its managed data service offering, appointing **Robert Revesz** as senior director of client services.

Robert Revesz spent 15 years at Asset Control, most recently as vice president and service director for the Americas

Based in New York, Revesz will focus on reference data services and implementation, and will be responsible for delivering the benefits of a managed reference data service to Broadridge's entire global client base.

Revesz spent 15 years at Asset Control, most recently as vice president and service director for the Americas.

In his new role, he joins Nathan Wolaver, Michael Sunwoo and Tim Versteeg, who were also recently recruited from Asset Control.

Charlie Marchesani, president of global technology and operations at Broadridge, said: "We're growing our managed data service team at a critical time for banks, broker-dealers and asset managers as they look to mutualise their reference data capabilities and re-orient to a managed service model."

Commerzbank's **Eugene Stanfield**, head of derivatives execution and clearing, is set to leave the bank after eight years, according to multiple sources.

Stanfield has managed the bank's over-the-counter client clearing, foreign exchange prime brokerage, and futures and options execution and clearing since 2009.

Previously, he worked at Dresdner Kleinwort Wasserstein until 2008, when the British-based investment bank was bought by Commerzbank.

Commerzbank declined to comment on the departure.

SS&C has hired **Stephanie Miller** as senior vice president for the fund administration business.

Miller joins from J.P. Morgan where she was head of fund admin. She brings 15 years of experience, including dealing with local regulators, compliance with multi-jurisdictional regulation, and implementing strategies for advancing technology.

Stephanie Miller will help shape the alternatives business strategy at SS&C

In her new role, Miller will help shape the alternatives business strategy, and will be responsible for pre-sales and implementations, with a focus on developing and implementing solutions for the largest fund managers. She will report to Rahul Kanwar, head of SS&C alternative assets.

Bill Stone, chair and CEO of SS&C Technologies, said: "Miller's outstanding background in global operations management, business development and technology skills enhances our management team and underscores our commitment to our fund administration business."

He added: "This addition reflects our focus on providing solutions to the alternatives industry in a fast-paced environment of technological and regulatory change."

Miller said: "I cannot think of a more exciting time to join an organisation that offers a truly unique platform of products and solutions to hundreds of alternative managers worldwide."

"I have had direct experience using SS&C's technology platforms and look forward to having these powerful platforms at my disposal and using SS&C's deep expertise and technical architecture to create solutions for some of the largest and most complex fund managers."

BNY Mellon has appointed **Tom Ahern** as head of its corporate trust business in Europe, the Middle East and Africa (EMEA).

Having joined BNY Mellon in 2006, Ahern was promoted to manage the structured portfolio services within EMEA corporate trust.

He has also previously run BNY Mellon's corporate trust business in Ireland, as well as the global analytics function for corporate trust.

Tom Ahern was promoted to manage the structured portfolio services within EMEA corporate trust at BNY Mellon

Before this, Ahern held positions at the Bank of Ireland, Daiwa Securities and Colonial First State Investments.

Eric Kamback, CEO of the bank's corporate trust group, said: "Under Tom Ahern's direction, BNY Mellon has significantly grown its corporate trust operations in Ireland, which has evolved into a core service area for our European operations."

He added: "Tom Ahern also led our transformation initiatives in analytics and corporate trust in Ireland and has the capability to apply his expertise across all of EMEA."

Nasdaq has appointed **Tal Cohen**, ex-CEO of Chi-X Global to run its North American equities business.

The appointment comes after Nasdaq completed its acquisition of Chi-X Canada in February.

Cohen takes over from **Walt Smith**, who will move in to a business development position and will be leading the Nasdaq business that provides exchange connectivity, trade reporting and post-trade applications, with a particular focus on pricing, products and strategy.

Smith joined Nasdaq with the acquisition of the Philadelphia Stock Exchange in 2008, and has worked in equities and options for over 10 years.

Cohen joined Chi-X Global as CEO of Chi-X Americas in July 2009, and became CEO of Chi-X Global in September 2010.

Tal Cohen's appointment comes after Nasdaq completed its acquisition of Chi-X Canada in February

He has also served as board director at the Canadian Depository of Securities Limited and a board director at the Investment Industry Regulatory Organization of Canada.

Both Smith and Cohen will report to Tom Wittman, Nasdaq's executive vice president and global head of equities.

At the time the acquisition was announced, Cohen commented: "Nasdaq and Chi-X Canada have both demonstrated their commitment to market innovation and efficiency."

He added: "We believe Nasdaq is well positioned to enhance Chi-X Canada's current capabilities and to capitalise on new product and asset class opportunities." **AST**

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