AST AssetServicingTimes

ISSUE137
WEDNESDAY
13.04.2016
assetservicingtimes.com

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Global banks collaborate on payment innovation with SWIFT

SWIFT has launched its global payments innovation initiative, with 51 banks collaborating to improve the speed, transparency and predictability of cross-border payments.

Participating banks will create a new service level agreement rulebook for smart collaboration.

The first phase of the initiative will focus on business-to-business payments in a bid to help corporates to improve relationships with suppliers and to grow their international business.

Better payments services will include same-day use of funds, better transparency and predictability of fees, end-to-end payment tracking and easier transfer of information.

Wim Raymaekers, SWIFT's global head of the banking market and project lead for the initiative, said: "The tight-knit group of leading banks will help to spearhead the testing through the pilot and beyond. Their commitment is testament to the initiative and our joint ambition to significantly improve the cross-border payments experience for corporate customers."

"As we progress, we aim to incorporate additional innovations and deploy new technologies to this global payments innovation initiative, and define additional service level agreements that will cater for other client groups, further reducing the costs and frictions arising from compliance, liquidity and processing efficiency considerations involved in cross-border payments."

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DTCC pays €64,000 in first derivatives data fine

The European Securities and Markets Authority (ESMA) has fined the Depository Trust and Clearing Corporation (DTCC) Derivatives Repository Limited (DDRL) for failing to properly report derivatives trading data.

The €64,000 fine relates to failures between 21 March and 15 December 2015, and marks the first time ESMA has taken any action against an EU-authorised trade repository.

DDRL failed to put systems in place that were capable of providing regulators with direct and immediate access to derivatives trading data, according to ESMA.

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R3 and Microsoft pair up on blockchain

Microsoft and R3 have entered a strategic partnership to encourage faster adoption of distributed ledger, or blockchain, technologies in global banks.

As part of the deal, Microsoft will provide cloud-based tools, services and infrastructure for R3's labs.

The technology giant will also provide architects, project managers, lab assistants and support services.

The R3 labs will work on providing greater technical agility, facilitating faster learning around blockchain technologies in financial services.

Members of the R3 blockchain consortium will gain access to Microsoft's business-as-a-service partners, which can assist in development, testing and deployment of new distributed ledgers, whether in cloud, local or hybrid environments.

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Global banks collaborate on payment innovation with SWIFT

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Magnus Carlsson, treasury and payments manager at the Association for Financial Professionals, called the initiative a "smart way to address some major pain points".

He said: "Through the global payments innovation initiative, banks can use existing technology to quickly bring visible improvements to B2B payments for their corporate customers."

"From a corporate perspective this kind of development in the payments space is very encouraging, as it means no significant changes need to be made to internal systems in order to potentially reap the benefits of the programme."

The pilot scheme of the initiative will run through to December, and the first set of results are due to be shared at the Sibos conference in September. The service is intended to go live in 2017.

Participating banks include the likes of BNY Mellon, Bank of America Merrill Lynch, Wells Fargo, the Bank of China, Standard Chartered, and more.

DTCC fine is first for derivatives

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ESMA found that DDRL was negligent in putting effective processing systems in place to manage data reports, and that, once it was aware of the issue, it failed to notify ESMA in a timely manner.

The authority also found that DDRL took around three months to establish a remedy for the problem, by which time delays had escalated from two days to 62. In total, delays to data reporting affected 2.6 billion reports.

According to ESMA, the issue revealed systematic weakness in the organisation, particularly in procedures, management systems and internal controls.

A DTCC spokesperson said: "DTCC continues to work closely with ESMA and with regulators around the world to ensure the timely submission of derivatives trade data in support of G20 goals."

Providing immediate access to this data is a key requirement of the European Markets and Infrastructure Regulation (EMIR), which was intended to improve transparency and monitoring of systemic risk.

R3 and Microsoft pair up for blockchain

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The R3 consortium has also named Microsoft Azure as its preferred cloud platform for its R3 Lab and Research Center, which works with 40 member banks.

The partnership is intended to help modernise technology and processes for the financial ecosystem, allowing business network participants to complete transactions cost-efficiently, quickly and securely, with optimum transparency.

Peggy Johnson, executive vice president of global business development at Microsoft, said: "With intelligent, cloud-based technology, R3 and member banks will experiment and learn faster, accelerating distributed ledger technology deployment."

She added: "What's more, our collaboration brings to light tremendous opportunities to rethink business processes and transform entire industries."

David Rutter, CEO of R3, said: "The partnership between Microsoft and R3 will scale the use of distributed ledger technology in a way that will change the entire financial services industry."

"The Azure platform and intelligent cloud services bring advanced capabilities to this budding financial ecosystem, and the commitment by Microsoft will accelerate the adoption of distributed ledger technology around the globe and take our R3 Lab and Research Center offering to a new level of capability."

Basel internal risk model rules 'counterintuitive', says GFMA

The Basel Committee of Banking Supervision (BCBS) proposal to restrict banks' usage of internal risk models for determining credit risk is unnecessary and counterintuitive, the Global Financial Markets Association (GFMA) has said.

In a statement, Kenneth Bentsen, CEO of GFMA, said that the proposed measures would be "unnecessary at best", and that they could represent a divergence from the BCBS's originally stated objective not to increase capital requirements.

The new measures would restrict banks' ability to use their own internal models for calculating credit risk for the purpose of determining regulatory capital requirements.

Bentsen went on to say that this is also at odds with statements from the Financial Stability Board, which suggested there would not be a new wave of capital requirements.

The paper released by BCBS gave the impression that decisions have already been made, Bentsen said, which would "do away

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with the risk sensitivity of the international regulatory framework for credit risk".

He said: "The outcome of this approach to reduce risk sensitivity is that regulatory designed models would override objective risk assessments and the consequent pricing for end-users."

Bentsen added: "This proposal represents a step towards regulatory policy that overestimates economic risk with consequences for growth and financial stability. A fundamental rethink is required in order to support vibrant economies where risk is identified and assumed, without recourse to taxpayers."

The GFMA will now review the proposal with its members and will submit more substantial comments at a later date.

T2S on a roll with second wave

Both the Portuguese and Belgian central securities depositories (CSDs) have completed their migration to the Target2-Securities (T2S) platform, marking a successful second wave of the pan-European implementation plan.

The second wave saw the Portuguese CSD Interbolsa, a subsidiary of Euronext Lisbon, and NBB-SSS, the securities settlement system of the National Bank of Belgium, transfer to the platform.

T2S is a harmonised platform for securities settlement, intended to reduce the cost of settlement and make cross-border transactions more efficient, while improving financial stability in Europe.

Euroclear's Settlement of Euronext-zone Securities (ESES) CSDs were also originally scheduled to go live in the second wave, but they postponed so that they could join with the third wave in September.

The first wave of implementation went live successfully on 22 June 2015, with the exception of the Italian CSD delaying its migration until 31 August 2015.

According to the National Bank of Belgium, NBB-SSS launched implemented the majority of its T2S functionalities and harmonisation in February 2015, addressing any teething problems well in advance and making for a smooth transition to the platform.

Lee Hodgkinson, head of markets and global sales at Euronext, called the Portuguese migration a "key milestone in securities settlement".

Rui Matos, interim CEO of Interbolsa, added: "We are confident that this successful migration to T2S will bring unmatched benefits for all Interbolsa clients, in terms of harmonisation of processes and future solutions—efficient and secure—provided to the Portuguese market."

ESMA grants SIX x-clear CCP approval

SIX x-clear has been recognised by the European Securities and Markets Authority (ESMA) as a third-country central counterparty (CCP) under the European Market Infrastructure Regulation (EMIR).

The recognition means that SIX x-clear, the clearing arm of SIX Securities Services, can continue to provide cross-border clearing services to member and trading venues in the European Union, and can start to actively seek new international business.

Under EMIR, countries outside the EU can only continue to offer services in the EU if the third country, in this case Switzerland, has an equivalent legal framework.

SIX x-clear formally applied to ESMA to be re-authorised as a CCP in September 2013.

The ESMA board of supervisors has now approved the application, marking the completion of the final step of the process.

Thomas Zeeb, division CEO of SIX Securities Services, said: "This is excellent news. Though this decision has taken a long time to come through, it vindicates our position that our risk-models, our processes and our ability to provide competitive services across Europe are amongst the best available."

Fidessa: Buy side at risk from counterparty exposure

Asset managers should change their attitudes to counterparty exposure and move responsibility for its management to the middle office, according to a Fidessa paper.

The paper, by Steven Strange, a compliance product manager at Fidessa, noted that buy-side firms are starting to pay more attention to their processes for monitoring and controlling counterparty risk, many of which they are finding to be inadequate.

Good credit is no longer enough to establish a counterparty's fitness as a trading partner, Strange suggested, and regulators expect risk to be aggregated across asset classes, including holdings that may not have been considered previously.

At the same time, clients are more demanding as they try to mitigate their own risk, and are no longer satisfied with manually-generated reports.

Strange said in the paper: "Aggregating risk is much more difficult now, when a given counterparty could be any (or all) of: an issuer for a security within the fund; an indirect issuer for a security within an index or exchange-traded fund; or a counterparty to another trade in a different system."

Calculating exposures is also more complicated, Strange suggested, considering the numbers of asset classes, and hedging and netting arrangements.

He pointed out that some firms still use daily limits supplied manually, with trades calculated and deducted throughout the day, while others use end-to-end operations teams to extract data from multiple trading systems before sending results to risk teams.

Strange said: "This broadening and deepening of complex manual systems is clearly unsustainable. Fragmented processes and systems across regions, asset classes and acquired firms add even more layers, all of which is an anathema to achieving the control that firms—and regulators—want, and clients demand."

Asset managers should take steps to better protect their firms, Strange suggested. Transferring decision-making from trading operations to compliance and risk management teams could give senior management a more holistic view of counterparty risk, he said.

Firms could also select a single point of implementation and monitoring, supported by an automated process. While being more cost-efficient, this could also improve auditability and recall, and means controls could be put in place more proactively.

Finally, technology systems should be flexible with robust counterparty assessment capabilities and with sophisticated risk calculation using different metrics and asset classes.

They should also integrate easily with order management systems in the front office, while providing data to the middle office.

"In this way, breaches of counterparty risk limits can be prevented before they occur, and burdens are lifted from trading, risk, compliance and administrative staff," explained Strange

"Forward thinking asset managers are becoming 'counterparty intuitive' to everybody's benefit. And this means they not only run better operations, but also position themselves to win more business and maintain their competitive edge."

FTSE index combines A- and H-shares

FTSE Russell has created its first index to represent both China A-shares and Hong Kong H-shares.

The FTSE China A-H 50 Index has been licensed by Deutsche Bank Exchange Traded Funds (ETF) and listed on the London Stock Exchange and Deutsche Börse.

A-shares, securities of Chinese companies trading on the Shanghai or Shenzhen stock exchanges, are quoted in Chinese Yuan and are only available for trading to Chinese residents or through the qualified foreign institutional investors (QFII) or renminbi QFII schemes.

H-shares, however, are Chinese securities nominated by the central government to trade on the Stock Exchange of Hong Kong, quoted in Hong Kong dollars and available to all traders.

On the new index, companies that have both A- and H-shares will only have one share listed—that of the lower price.

Mark Makepeace, CEO of FTSE Russell, said: “FTSE Russell has a long track record of working in China, and is the most active benchmark provider supporting international investment in the region.”

“As the Chinese domestic market opens, we continue to develop products that provide investors with a variety of tools to capture different aspects of the market. The FTSE China A-H 50 Index reflects our desire to create new index solutions for the region, as we look to support the diverse range of investment needs.”

The new service is in addition to the FTSE China 50 Index and FTSE China A50 Index. According to FTSE Russell, more than half of non-China domiciled Chinese ETF assets currently track China-related FTSE Russell benchmarks.

JPX has blockchain on the brain

The Japan Exchange Group (JPX) has paired up with Nomura Research Institute in order to conduct proof-of-concept tests for distributed ledger, or blockchain, technology.

Tests will evaluate the possibilities and limits of the technology in markets with low transaction data.

According to JPX, the partnership is intended to resolve some of the issues that stand in the way of blockchain technology being actually applied in financial business operations.

The pairing comes after JPX announced in February that it is working with IBM Japan on a similar blockchain project. The tests with IBM Japan are also focused on markets with low volumes of transaction data, but use a framework provided by the IBM and Linux Hyperledger Project.

“Blockchain is one of the emerging technologies that is being closely watched by financial communities throughout the world,” Atsushi Santo, head of new business development at JPX, said in February.

“We plan to explore blockchain fabric to evaluate technical limitations and the potential of blockchain for post-trading service for low volume traffic.”

Asset managers in a pickle over data

Many asset managers are not gaining as much value from the data they’re handling as they could, and there are still significant challenges to be tackled in data management, according to a survey by Northern Trust and The Economist Intelligence Unit.

The survey of asset managers and insurance professionals found that while, generally, firms are finding tools and technologies useful in finding value in data, there is variance in the level of value they are actually gleaning from it.

Only 13 percent of respondents said they are able to capture the entire value of their data. However, 44 percent said they capture this value ‘fairly well’ and 41 percent answered ‘somewhat well’.

Although the level of value captured was varied, only 2 percent of respondents said they do not capture value well at all.

The white paper put this partially down to asset managers still experimenting with how to best obtain value from data, pointing out that a lot of the data received is irrelevant to their current models of practice, and that it takes resources to clean and prepare the data received.

The survey results also revealed remaining challenges in making good use of data. Although results were fairly varied, the need for processing and cleaning data emerged as the top difficulty, named by 36 percent of respondents. This was followed by the issue of data presented in non-compatible formats and inability to determine what is and is not useful, which were cited by 29 percent and 28 percent, respectively.

In addition, 20 percent noted a challenge emerging from incorrect data and 21 percent said data requires user interfaces that can be difficult to understand.

According to the report, issues around reconciliation and data compatibility can leave asset managers with “strong reservations about the reliability and the utility of their data”. This could become a serious problem as the volume, speed and variety of data increases.

Pete Cherecwich, head of corporate and institutional services for the Americas at Northern Trust, said: “This survey confirmed for us what we recognise as some of our clients’ biggest challenges.”

He added: “Whether they are looking for ways to manage their investment decisions, monitor their risks, or improve their reporting, they need to extract more value from their data to gain actionable insights.”

Serge Boccassini, global product solutions manager at Northern Trust, said: “Developing a comprehensive and flexible data management strategy is essential for asset managers to succeed in a competitive marketplace.”

The survey was conducted in Q3 2015, and included 201 asset managers and insurance executives from the US and Europe.

Eurex to launch new access model

Eurex Clearing is launching a new buy-side membership type allowing a direct contractual relationship with the clearinghouse, facilitated by a clearing agent, starting in Q3.

ISA Direct will initially be available for Eurex Clearing’s interest rate swaps and for repo transactions of Eurex Repo’s Select Finance service.

Securities lending transactions and listed derivatives will be included at a later date.

ISA Direct addresses the requirement to centrally clear over-the-counter (OTC) derivatives by enabling them to become direct members of the central counterparty (CCP). This allows counterparty credit risks, clearing costs and portability of our assets to be better managed.

The new model offers buy-side firms the ability to meet regulatory requirements with reduced counterparty risk and strong protection for their assets, according to Eurex Clearing.

For clearing agents, the new service aims to ease the adaptation to the new capital rules, as it frees up equity capital currently required for client’s business, while maintaining existing client relationships.

Jason Vitale, managing director for listed derivatives and markets clearing at Deutsche Bank, commented: “The positive impact of Eurex Clearing’s new clearing models for OTC derivatives and repo is evident. GC Pooling positively influences our ability to fund business activities of our clients and tackles current liquidity constraints in the repo market."

Matthias Graulich, a member of the Eurex Clearing executive board, added: "This new innovative CCP membership type is a win-win for all involved parties."

"Besides higher capital efficiencies and the resulting lower costs as well as enhanced segregation and portability, ISA Direct will broaden the membership base of the clearinghouse, thereby lowering the concentration risk among existing clearing members; and subsequently strengthening the robustness and diversity of the CCP."

BNP Paribas consults SmartAngels on blockchain for securities issuance

BNP Paribas Securities Services and the direct investment platform SmartAngels have partnered up to use blockchain technology for issuing securities.

The partnership is intended to allow private companies to issue securities on the SmartAngels primary market, giving investors access to the secondary market, all using distributed ledger technology.

BNP Paribas has hailed the partnership as a step forward in crowdfunding and management of private share ownership. The bank's securities services division is developing a share register using blockchain, which will automatically register securities issued by SmartAngels's client companies.

Blockchain technology will allow for immediate processing of investor payments and issuance of e-certificates, meaning transactions are made quickly, simply and securely, and at a lower cost than was previously possible.

SmartAngels clients will benefit from standardisation of the securities registration process and additional trade processing security. For issuers, the blockchain platform will also simplify management of shareholders.

Trading shares directly on the SmartAngels platform should create a secondary market for those investors, accelerating movement and increasing liquidity, while also helping start-ups and small and medium-sized enterprises (SMEs) to access financing.

The pilot scheme is due to launch in the second half of 2016, subject to regulatory approvals.

Philippe Ruault, BNP Paribas Securities Services head of product for clearing, custody and settlement, said: "By applying blockchain technology in the crowdfunding sector, we will accelerate cash and securities flows and make them more secure, using e-certificates."

"This is a major innovation for the custody and account-keeping of unlisted securities. It also provides BNP Paribas Securities Services with the opportunity to test a solution that could be applied to listed securities markets. The use of blockchain is part of BNP Paribas's digital strategy."

SmartAngels founder Benoît Bazzocchi added: "At the moment, only a few thousand companies are listed on the financial markets in Europe. The integration of blockchain on crowdfunding platforms will give hundreds of thousands of start-ups and growth SMEs fast access to low-cost financing from individual and professional investors."

Broadridge wins Japanese mandate

Japanese online trading broker Monex has selected Broadridge Financial Solutions to support its Japanese equity and investment trust processing business.

Broadridge's Japan Securities Depository Center (JASDEC) processing solution is intended to improve retail trading and client services, in order to support Monex's strategies for future growth. It also offers scalability for additional business lines and product areas.

According to Monex, the appointment was partly based on Broadridge's experience working with securities firms, and its track record in post-trade processing in Japan, as well as in other Asian markets.

Monex CEO Oki Matsumoto, said: "Broadridge's JASDEC processing solution will enable us to further improve our retail trading service and to provide us with a real-time processing capability for upcoming market changes focused on shortening settlement cycles."

Yoshiyuki Hoshino, COO of Broadridge in Japan, said: "Demand for processing standardisation is on the rise with Japanese brokers consistently investing in technology in preparation for significant market changes, such as Japanese Government Bond T+1 and Japanese equity T+2."

He added: "We are thrilled to welcome Monex to our continually growing Japan client base, enabling its business expansion and ensuring a solid footing for their technology reengineering programme through high levels of straight-through processing, continuing investment in technology and commitment to delivering operational efficiency through a world-class standard of service."

Digital Asset joins ISSA

Digital Asset Holdings has joined the International Securities Services Association, a trade body for the securities services industry.

The software company, founded in 2014, provides encrypted STP tools with the intention of improving efficiency, security and settlement speed.

Digital Asset CEO Blythe Masters previously spent 27 years at J.P. Morgan. She is due to speak about transformative technologies from a vendor view at the ISSA Symposium event in May.

Digital Asset also announced last month that it is working with the Depository Trust and Clearing Corporation (DTCC) to develop a solution using distributed ledger technology for managing repo clearing and settlement.

The blockchain initiative will cover US treasury, agency, and agency mortgage-backed repo transactions that are matched and verified through DTCC's Fixed Income Clearing Corporation.

In January, Digital Asset was also mandated by the Australian Securities Exchange to develop distributed ledger solutions for the Australian equities market.

REGIS-TR tackles Swiss derivatives reporting under EMIR

REGIS-TR, the European trade repository owned by Clearstream and Iberclear, has developed a new service for regulatory reporting under the Swiss Financial Market Infrastructure Act (FMIA).

The act draws on the European Market Infrastructure Regulation (EMIR) and regulates derivatives trading in Switzerland. It requires all entities with their registered office in Switzerland and which trade in derivatives to report to the Swiss supervisory authority for financial markets, FINMA.

REGIS-TR will offer transaction, position and valuation reporting for compliance with FMIA, allowing clients to use the same platform as for compliance with EMIR reporting.

Clients can use the same inbound and outbound connectivity channels for both regulations, streamline onboarding processes, and maintain one relationship, while gaining access to detailed documentation and a transparent fee schedule.

The new service is still subject to regulatory approval. REGIS-TR has submitted a letter of intent to become a recognised foreign trade repository in Switzerland, and reporting on the platform should start six months after approval.

Irene Mermigidis, managing director of REGIS-TR, said: "We have experienced significant demand to extend our services... these participants can benefit from a number of synergies and be able to re-use the tried and tested infrastructure already in place with us."

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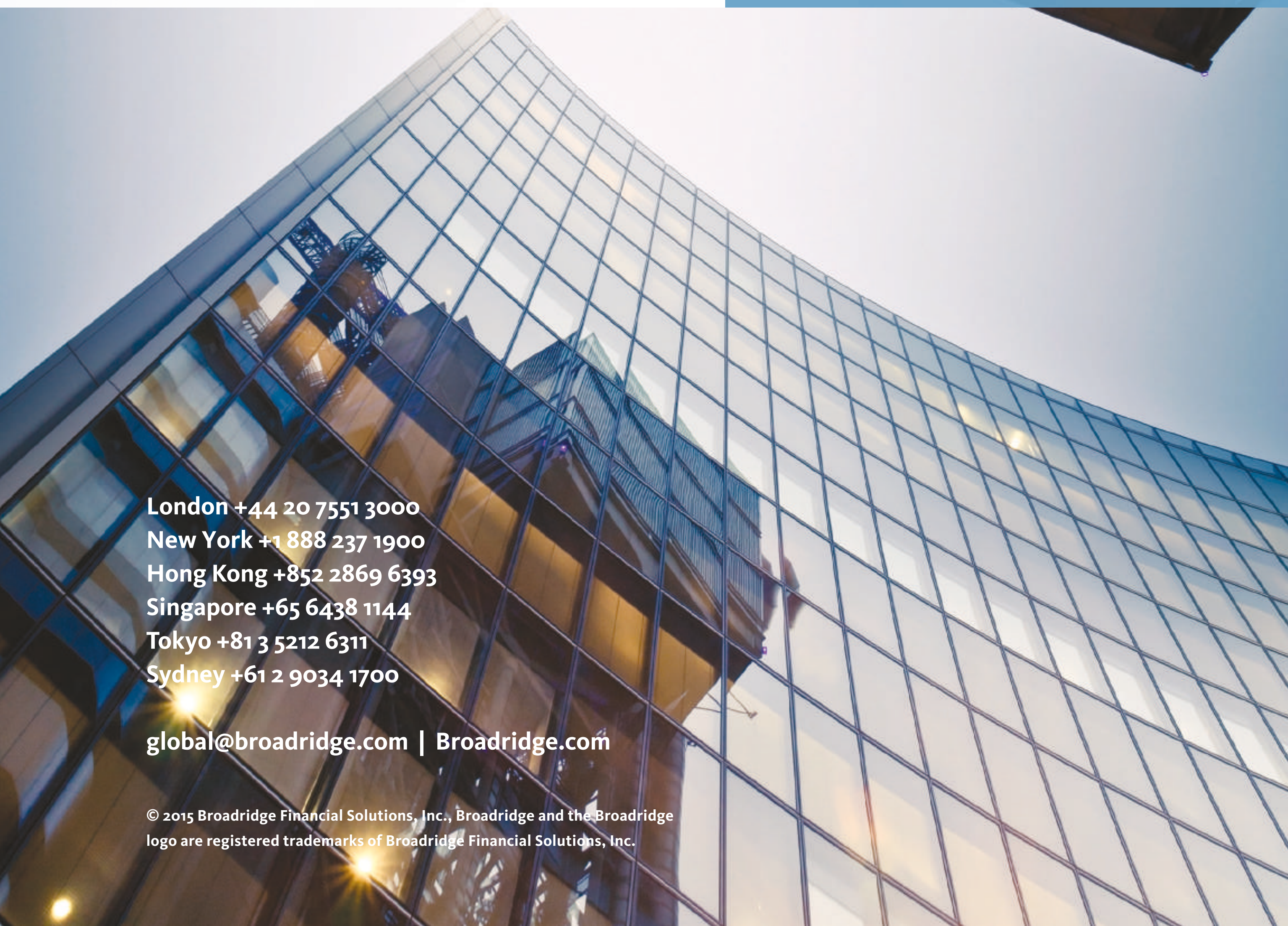

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The regulatory slipstream

Two years on and it seems AIFMD set depositories in good stead for UCITS V asset segregation rules, says Arnaud Claudon of BNP Paribas

BNP Paribas has completed its segregation of client assets for compliance with the UCITS V directive—what were the major challenges in this?

The ultimate goal was to separate the UCITS assets from: (i) the proprietary assets of the depository, (ii) the assets from the non-UCITS funds—the so-called alternative investment funds, and (iii) from other clients' assets. In essence, we had to create a fourth bucket along the custody chain, in the same way that we did for the Alternative Investment Fund Managers Directive (AIFMD) implementation project.

In practice, it was similar to a custody migration. We had to create new UCITS accounts on behalf of our eight EU depository branches, and create new standing settlement instructions, which we then had to communicate to our clients before we migrated all the assets from their old accounts in to new UCITS delegated accounts.

It was a massive exercise that took place over a period of four months. We started the first migration of actual slots in December 2015, and finished at the end of March 2016, in time for the effective start of the UCITS V regime. Work was mostly done over the weekend, in full coordination with our clients' middle-office teams.

The main challenge was completing this on top of all the normal business activity—ours and that of our clients. We're talking about tens of thousands of positions that had to be moved in a quality manner, with minimum impact to our clients and their trading counterparties. We had to be disciplined in the communication so as not to confuse clients' brokers, and we had to be aware of trade settlement dates. But, it's a core skill of a custodian to manage large-scale migrations like this while maintaining business-as-usual, and we handled a fairly similar process, with the same kind of segregation rules, when AIFMD came in to force in 2014.

How do the UCITS V segregation requirements differ to those under AIFMD?

To be frank, with regards to segregation, there is no technical difference. AIFMD requirements applied to the whole of the custody delegation chain, right through to the level before the central securities depository (CSD). Segregation applies also to assets held in international CSDs (ICSDs) when they're acting in an investor CSD capacity.

When ICSDs are not acting in an issuer capacity they are delegates, and therefore we have to segregate at their level and at their sub-delegates', if any. As far as we're concerned, this was already the case under AIFMD, so there was no real difference there. Operationally, as far as the actual segregation is concerned, it's a repeat of what we did before.

There are nuances, however, in the broader question of asset safekeeping. First, there is a new requirement in the UCITS V directive for the depository to provide fund managers with periodic assets-in-safekeeping reporting. That means reporting on the inventory of all the assets that a depository is safekeeping.

Of course, this is nothing new as far as transferable securities are concerned—as custodians, we would already provide daily reports to our clients. But, under UCITS V, the scope of the reporting is extended to all assets under safekeeping, including non-custodisable assets such as derivatives, foreign-exchange forwards and money market instruments. That kind of depository consolidated asset reporting is an explicit new obligation that has no equivalent under AIFMD.

Does segregating client assets have any advantages, aside from regulatory compliance?

I would argue that there are some further operational benefits. The overriding objective was regulatory, with the intention to facilitate the recovery of assets, but there is additional value and further benefits there. Although custodians do handle omnibus accounts, or non-segregated accounts, in a very effective way, for certain types of safekeeping structures there are benefits to segregation. It is beneficial for assets held as collateral to be duly segregated, and not comingled in omnibus accounts. From a reconciliation perspective, it is especially beneficial for the fund administrators, and to allow for the depository to be able to perform controls on the collateral.

With that in mind, might this segregation have come about without regulatory prompting?

No, because if there is no official standard, there are conflicting objectives between stakeholders in the industry. You end up with a trade-off between ease of identification of the asset and operational efficiency. Some have an interest in assets being as co-mingled as possible, in order to facilitate financing transactions and other operations, to reduce the burden of reconciliation, or to reduce the cost of maintaining large accounts. On the other hand, the depositories may have opposite requirements. If the directives had not clarified the rules, the depositories alone might not have obtained the account structure they required to do their job effectively.

For custodians, will the benefits of UCITS V ultimately outweigh the costs of compliance?

I think the jury is still out on this, and I think the answer will be different for every depository custodian. The cost of compliance is considerable. It takes investment in tools and controls to operate at the standards required of AIFMD and UCITS V, and the same standards apply equally to large and small depositories. Large depositories can easily deploy new processes over hundreds of billion of dollars in assets and across thousands of funds, but it's a lot more effort for smaller depositories both to comply and to remain compliant, and the cost cannot be passed on to the fund managers or the investors.

It is our anticipation, and I think it is happening, that this will contribute to the continued consolidation in the market. It's a scale industry that is operating under raised standards, with raised costs of meeting those standards. And it's indiscriminate.

What is still left to do in preparation for UCITS V?

There are a few more tasks to complete. We have yet to get all the data feeds that we require from some of our clients, and they are needed before we can start our controls and properly start operating comprehensive safekeeping. We also have to sign updated service level agreements and depository contracts with some of our clients.

There is more to be done to complete the upgrades to our internal sourcebooks, or our books of procedures, to ensure that they reflect the new standards of depository duties.

So, there is still a tailing of unfinished projects, which, again, is similar to what we experienced in the AIFMD implementation. But we have no doubt that we will have completed those tasks before level two of UCITS V becomes effective in October.

It helps that our clients have also had a lot of regulatory change to deal with—it is in everybody's interest to implement the new pieces of regulation on time so that we can move on to the next stage of the roadmap. Most of our clients also manage alternative investment funds, and so dealt with AIFMD as well. They had run their own complementary projects and were very experienced in the kind of work we were doing.

It's also worth bearing in mind that the fund managers have a lot of changes to implement under UCITS V themselves, and the bulk of their work—in particular the changes to prospectus and to investor information documents, adopting the new remuneration rules—is still in front of them.

We are trying to help them by making sure that we have dealt with what is under our control, in order to help them comply as early as possible, too. **AST**

"The overriding objective was regulatory, with the intention to facilitate the recovery of assets, but there is additional value there"

Arnaud Claudon, Global head of depository and fiduciary services, BNP Paribas

POINT and click

With market indices disappearing, asset managers will have to look for new partners for fixed income attribution, says Confluence's Philippe Gregoire

Back in December, when most people were busy wrapping up the year, a news story landed in my inbox and grabbed my attention. Bloomberg was to buy the Barclays index benchmarking business, POINT, which includes some of the fixed income market's most widely used indices.

It was no surprise that Barclays would want to sell its index business as part of its major restructure. Forced by regulators and cost restrictions, banks have been keen on slimming down their activity to focus only on what they think are their core competencies. Similarly, indexing providers and exchange operators have been eager to expand their operations, with recent cases such as Intercontinental Exchange buying Interactive Data's business, or the London Stock Exchange buying asset manager and index compiler Russell Investments.

It is understood that POINT will continue to operate for 18 months after the closure of the deal to help clients transition to other providers, including to Bloomberg's Port product. Barclays will, however, retain its quantitative investment strategy index business, with calculation and maintenance of its strategy indices outsourced to Bloomberg.

But what does that mean for us, the performance measurement providers, if the most widely used benchmarks for measuring the evolution of prices are not widely available anymore?

The bond market is highly fragmented and does not have a central liquid market for trading and pricing like equities. Because of this, asset managers often rely on indices and other measures to track performance. For years, many technology providers have relied on Barclays POINT to deliver fixed income attribution analysis to their clients, so that they would be able to identify and quantify the sources of return for fixed income funds, relative to a benchmark, over a period of time.

When market structure changes, the need for innovative solutions is greater than ever. For companies that may now find themselves in need of alternate solutions, there are several points to consider when selecting a new technology partner for fixed income attribution.

Model selection

Companies should review the different fixed income attribution models to find the one that best suits their investment strategy and risk exposure. For the attribution to be useful, they need a model that explains the contribution of active exposures to each one of the risk factors they have exposure to.

Multifactorial models, as a case in point, will allow a breakdown of the total return into various elements associated with each factor. However, doing this implicitly assumes that the factors are not correlated. For example, the level of credit spread is not dependent on the level of the yield curve. Many factor models exist, such as Tim Lord or Murira Sierra, which would allow the breakdown of returns into risk factors, using observable and accessible data at an efficient cost.

Data governance

Having a good data governance strategy in place, that includes trusted and validated data coming into the system, is essential, or attribution results can be skewed. The fundamental element necessary to ensure quality results, in addition to choosing a model that explains the investment process, is the ability to obtain and validate the data.

For this reason, factor models have a significant advantage over revaluation models. The data is limited to the collection of treasury curves by currency or group of currencies, credit curves for different levels of risk credit (ratings), and data specific to the issue, such as market spread, option adjusted spread, yield to maturity, or sensitivities to risk factors, such as modified duration, spread sensitivity and prepayment sensitivity. By limiting the amount of required data, it is possible to set up a series of validation tests for data quality and also for the results produced.

Re-calculating

Reusing the calculations can help companies to gain control over the investment process. Using a fixed income attribution application fulfils at least two objectives. First, it improves transparency in communication with clients, and second, it strengthens the management control process.

It is essential that the results produced are in line with the changes observed in the treasury curve, the credit curve and the prepayment risk

Philippe Gregoire, Managing director of performance analytics, Confluence

Using attribution, the bond manager can follow the return he obtains according to his choices regarding active exposure to certain risk factors. Management can ensure that individual managers obtain sufficient returns to justify the exposure to risk factors. For a fixed income attribution solution to become an effective tool for management control, it is essential that all third parties understand the models and that the results produced are in line with the changes observed in the treasury curve, the credit curve, the prepayment risk and other sources of risk. Only intuitive and controllable models can achieve this objective.

For those who are using POINT, or for others looking for a new solution, choosing wisely when replacing an attribution tool is critical. If the models are comprehensible and the results are validated and accurate, then fixed income attribution contributes greatly to the asset management value chain. **AST**

Industry Recruitment

Funds Advisory and Discretionary Sales

Recruiter: Carlton Senior Appointments
Location: Singapore

A leading European private bank are actively seeking a senior product specialist to join their private banking investment and products team here in Singapore.

Senior Test Lead

Recruiter: Bruin
Location: London

Our world leading asset servicing client is looking for a senior test lead to work in the client delivery solutions implementation team to provide test lead support to a new product launch. The ideal candidate will have previous experience of managing testing within pension administration.

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.

Programme 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

Shake-ups at Euronext, BNY Mellon, and more

Hong Kong's Securities and Futures Commission (SFC) has appointed **Thomas Atkinson** as executive director of enforcement for a three-year term, effective 3 May.

Atkinson is currently director of the enforcement branch of Canada's Ontario Securities Commission, where he has served since 2009.

SFC CEO Ashley Alder said: "Thomas Atkinson is eminently qualified to head the enforcement division given his wealth of experience and knowledge in litigation and securities regulation."

"I look forward to working closely with him in advancing the SFC's strong track record in its enforcement work."

The SFC oversees Hong Kong's brokers, investment advisers, fund managers and intermediaries working in the futures, asset management and foreign exchange markets.

Euronext has hired **Maria João Carioca Rodrigues** as CEO of Euronext Lisbon and CEO of Interbolsa, and as a member of the managing board.

Rodrigues joins from Portuguese state-owned bank Caixa Geral de Depósitos, where she was head of marketing and IT operations, and an executive board member.

She has also worked for SIBS Pagamentos and Unicre, and in the financial services sector at McKinsey & Company.

Maria João Carioca Rodrigues will join Euronext Lisbon in Q2 2016 as CEO and member of the board

Subject to shareholder and regulatory approvals, Rodrigues will join Euronext in Q2 2016.

Stéphane Boujnah, Euronext CEO and chairman of the managing board, said: "We are delighted to welcome Maria João Carioca Rodrigues to our team and thank her for accepting this key position within the group. I am confident that her strong experience in financial markets will allow her to develop our operations in Portugal."

"As Euronext continues to evolve, we welcome dynamic individuals like Maria João Carioca Rodrigues who actively contribute to driving innovation throughout our pan-European model."

SS&C Technologies Holdings has hired **Ron Tannenbaum** as managing director of business development for Europe, the Middle East and Africa (EMEA) for its alternative fund services business, SS&C GlobeOp.

Tannenbaum was a co-founder of GlobeOp Financial Services, which was acquired by SS&C in 2012. Now, he joins SS&C from AltB Partners, which he co-founded and where he was a partner for UK marketing and sales.

In his new role, Tannenbaum will be based in London and will report to Punit Satsangi, managing director and head of alternatives for EMEA business development.

Bill Stone, chair and CEO of SS&C Technologies, said: "Ron Tannenbaum's deep business experience and expertise across both the fund administration and the alternative investment management industry will be particularly valuable as we continue to meet our customers' unique regional requirements."

Tannenbaum said: "Throughout my career in the alternative asset management industry, customers have always demanded innovative solutions to meet increasingly complex needs. I am excited to return to the SS&C team and contribute to our increasing market share in the EMEA region."

Citi has hired **Angus Yang** as head of prime finance for Asia Pacific.

Yang will be based in Hong Kong, and will be responsible for prime services, equity finance and agency securities lending across the Asia Pacific region, including Japan and Australia.
He joins from Barclays in Asia, where he was head of prime finance, and has more than 20 years' experience in prime and securities financing markets.

In his new role, Yang will report jointly to David Russell, managing director of Citigroup and Asia region head for securities services, and to Adam Herrmann, managing director and global head of prime finance.

In an internal memo, Russell and Herrmann said: "Angus joins Citi at a time of growth and focus on the prime finance business. We look forward to his helping to further expand our Asian capabilities in prime and bringing the full power of our global offering to hedge fund clients."

BNY Mellon has appointed **Piers Murray** as COO of its markets business, effective 15 June.

He will replace **Regina Meredith-Carpeni**, who is retiring from the role after almost 40 years at BNY Mellon.

Murray joins from Deutsche Bank where he is currently managing director and global co-head of listed derivatives and clearing.

He was previously global head of over-the-counter derivatives clearing and derivative prime brokerage at Deutsche Bank, and he has also held senior positions at J.P. Morgan and J.P. Morgan Chase.

Moving on from from Deutsche Bank, **Piers Murray** will be COO of BNY Mellon Markets from 15 June

In his new role, Murray will be based in New York and will report to Michelle Neal, president of BNY Mellon markets.

Neal said: "Piers joins the BNY Mellon team with a successful track record in global markets products and solutions."

She added: "BNY Mellon Markets continues to be a significant growth segment for the bank, particularly as our clients look to navigate the changing regulatory and market landscape. Piers will be instrumental in helping to industrialise our platform and strengthen our core business."

GFT has hired **Andrew Scotland** as head of its new agile and continuous delivery practice.

Scotland will lead a specialist team in technology consulting, with a focus on 'agile' software delivery methods. Through adaptive planning and implementation, this approach is intended to help clients better respond to new regulatory or technology requirements.

Previously, Scotland held several senior programme and portfolio management roles, including managing cyber security, location strategy and risk-related programmes. He also brings significant experience in business transformation, governance and project delivery.

Scotland commented: “I am delighted to be joining GFT, a company with an excellent reputation for enabling clients to realise value through the delivery of digital and technology solutions enabling change and transformation.”

Steve Lewis, head of design and technology consulting at GFT, said: “Andrew Scotland has vast experience of iterative development in highly complex delivery environments.”

Andrew Scotland joins GFT as head of the newly-formed agile and continuous delivery team

“In introducing [agile delivery] he has looked beyond a software development lifecycle to assess the impact of its introduction on the wider organisation, including integration with business change and complex application and project portfolios.”

Capita Financial Managers in Ireland has hired **Raymond O’Neill** to the position of non-executive chairman.

He replaces Tony Joyce, who held the chairman role from 2006, when Capita was established.

O’Neill has worked in the investment management industry for almost 30 years, most recently as a founding member and CEO of Kinetic Partners.

He previously held senior positions at RSM Robson Rhodes, Investors Bank & Trust and the Bank of Bermuda.

Paul Nunan, managing director of Capita Financial Managers in Ireland, commented: “Raymond O’Neill brings a wealth of funds experience and he joins us at an exciting time when more asset managers and funds are looking to Capita for support.”

O’Neill said: “I am delighted to join the team. I look forward to working with them to continue what has been a very successful ten years in operation and support the business’s continued growth.” **AST**

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Published by Black Knight Media Ltd