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Expectations are an issue for fund managers, says UK FCA

The majority of asset managers are meeting the expectations of their investors, but some are still failing, a review by the UK Financial Conduct Authority (FCA) has found.

Although most of the asset managers reviewed were taking steps to manage funds in the way they said they would, the FCA still found examples of "unclear product descriptions and inadequate governance or oversight".

The review investigated whether UK authorised investment funds and segregated mandates were operating in line with investment mandates and adhering to strategies set out in their own marketing and disclosure material. While the majority of funds were found to be clear with investors, providing explanations of their aims and strategies, some did not provide clear enough explanations of how they were managed, according to the FCA.

Some did not disclose constrained investment strategies, and one included jargon that "ordinary investors would be unlikely to understand", the authority wrote in the report.

The review took in to account funds that were no longer marketed to consumers. The FCA found that none of these types of funds were clearly disclosing their investment strategies to their customers.

Fund managers here did not have the appropriate oversight to make sure funds were managed in line with stated investment policy.

Continued on page 2

FIA concerned over leverage ratio framework revisions

The Futures Industry Association (FIA) has expressed concern over the Basel Committee on Banking Supervision's proposed revisions to the Basel III leverage ratio framework, but has committed to continue working with the committee on the changes.

The FIA is disappointed that the new proposed framework does not feature an offset for initial margin, but it also noted that the committee has called for data in order to further evaluate the issue.

According to the FIA, capital requirements are already having an effect of the industry, which is seeing a decline in numbers of clearing members, increased concentration risk and reduced access for hedging.

The association has agreed to continue working with regulators and industry members to measure and correct these issues.

Continued on page 2

Industry on track with T+2 preparations

The majority of firms in the US securities industry are starting to prepare for the move to a T+2 settlement cycle, according to an SS&C survey.

The T+2 preparedness survey, conducted at the International Securities Association for Institutional Trade Communication (ISITC) Annual Industry Forum & Vendor Show in Boston, evaluated attendees' attitudes towards the change in the settlement cycle.

A majority of respondents said they have started assessments to prepare.

While 72 percent said they have started assessment of their technology preparedness, another 12 percent said they would start soon—in the first half of 2016.

Continued on page 2

Expectations are an issue for fund managers, says UK FCA

Continued from page 1

Finally, not all firms carefully monitored the distribution of their funds to make sure they were sold appropriately through third parties. Two funds in the sample were found to be available on execution-only platforms, although the fund managers had intended for them to be available only with advice.

Five of the firms, however, were found to be investing in smarter ways and to be analysing data from their distributors, in order to better understand the type of customers investing in funds.

Megan Butler, FCA director of supervision for investment, wholesale and specialists, said: "Firms are generally managing funds as they say they will. In most circumstances they are clear about how they are going to invest and have the correct level of oversight to ensure practice follows promise."

"However, the industry needs to consider how it communicates when funds are linked to financial benchmarks."

"It is also vital that funds keep investment practices under review so they match their stated aims and strategy, irrespective of whether the fund is still actively marketed, because investors base their decisions on this information."

The FCA is currently writing to firms involved in the review to provide individual feedback, and some will be required to make improvements.

The review included 19 UK fund management firms responsible for 23 UK authorised funds and four segregated mandates.

FIA concerned over BCBS leverage ratio revisions

Continued from page 1

FIA president and CEO Walt Lukken said: "The FIA welcomes the opportunity to share these concerns with the Basel Committee."

"We will work with industry members to facilitate the committee's efforts to gather and analyse data on the impact of capital requirements," he explained.

Changes proposed include: revisions to the treatment of derivatives exposures, provisions and sales of financial assets; additional requirements for global systematically important banks; changes in credit conversion for off-balance sheet items; and changes in treatment for cash pooling transactions, traditional securitisations and securities financing transactions.

"It's critical that we get the calculation for the leverage ratio right," said Lukken.

"The leverage ratio should not stand in the way of the G-20's goal of reducing systemic risk through greater adoption of central clearing. Our concern is that this will make it more difficult for market participants to hedge risk using cleared derivatives. Worse, it may harm the safety and resilience of our clearing system."

The Basel Committee is seeking comment on the proposed revision, with comments required by 6 July.

Industry on track with T+2 preparations

Continued from page 1

A further six percent said they would start in the second half of 2016, and another 6 percent said their timeline is dependent on a review of their technology infrastructure. A final 4 percent said they do not believe they need to assess their technology capabilities.

When asked about their operational preparedness, 66 percent said they have started assessments in this area. A further 10 percent said they would begin assessment in the first half of this year, and another 10 percent said they would start in the second half.

Again, some 8 percent said their timelines are dependent on reviews of technology infrastructure, while only one respondent did not see a need for assessing internal processes, according to the survey.

Finally, 4 percent said they will wait until 2017 to start assessing operational preparedness. These were solely buy-side representatives.

Buy-side firms were also found to be the least likely to increase their budget to support T+2 upgrades—60 percent said they would keep the same budget, compared to just 22 percent of all respondents.

Of all attendees, 48 percent said they have already increased their technology budget, and 30 percent said they intend to.

Finally, attendees were asked whether they believe the US will move to a T+1 settlement cycle within the next decade, if the transition to T+2 goes smoothly. The majority said either yes or maybe—42 and 36 percent, respectively. While 8 percent said they were unsure, 14 percent voted a decisive 'no'.

Bob Moitoso, senior vice president and general manager for financial markets at SS&C Technologies, commented: "Firms are operating in a dynamic environment that requires agility, efficiency, and reliability."

Contents

"The survey findings show a widespread awareness in the industry regarding the need for adequate preparation time and a commitment to maintaining a robust technology infrastructure."

He added: "We counsel customers to be proactive in their approach despite the long lead time to prepare, and the survey feedback really resonates with that guidance—if you haven't started, you're already behind."

The survey included 50 executives attending the ISITC event in March 2016. Half of the respondents were from buy-side firms, 38 percent were from custodians, and 12 percent were from sell-side organisations.

More than three quarters, 76 percent, were from organisations of more than 500 employees, and 12 percent were from organisations of fewer than 100.

No need to delay access rules for ETDs, says ESMA

The European Securities and Markets Authority (ESMA) has said there is no need to temporarily exclude exchange-traded derivatives from the rules on non-discriminatory access to central counterparties (CCPs) and trading venues under the Markets in Financial Infrastructure Regulation (MiFIR) and Directive (MiFID) II.

Under MiFIR, ESMA was required to assess whether exchange-traded derivatives (ETDs) should be exempt from the access provisions for a period of 30 months.

The ESMA analysis found, however, that giving open access to ETDs "does not create undue risks to the overall stability and orderly functioning of European financial markets".

The authority said that any potential risks are already addressed by the legislative frameworks of MiFID II, MiFIR and the European Markets Infrastructure Regulation, and suggested that the European Parliament and Council should not introduce a phase-in period for ETDs.

ESMA chair Steven Maijoor said: "Trading venues and CCPs are important market infrastructures and crucial for well-functioning EU capital markets."

"Strengthening competition and choice between venues and CCPs is an important step to further the integration of the EU's capital markets. The open access provisions of MiFID II will help to achieve these goals for all instruments without creating undue risks to stability."

The new rules mean that trading venues will be able to clear their trades at a CCP of choice, including transferable securities, money market instruments and ETDs, while CCPs will also be able to access trade feeds from trading venues.

However, trading venues and CCPs will be able to refuse acess under particular circumstances. National competent authorities will be able to deny access to certain CCPs and trading venues

In these cases, ESMA said, granting access could require an interoperability agreement for ETDs, or it could potentially "threaten the smooth and orderly functioning of the market—in particular due to liquidity fragmentation—or affect systemic risk".

ESMA submitted draft regulatory technical standards to the European Commission in September 2015, specifying the conditions under which access could be denied, the conditions under which access must be granted, and the conditions deemed to pose a threat to smooth and orderly functioning of the market.

PRIIPS implementation time too tight

As many as 95 percent of affected firms are "concerned" about the time scale of implementation of the Packaged Retail and Insurance-based Investment Products (PRIIPS) regulation, according to a KNEIP survey.

Final regulatory technical standards (RTS) for the Key Investor Information Document (KIID) required for PRIIPS was released by ESMA in early April, but firms only have until 31 December to be compliant.

The research was conducted during a series of working groups and included asset managers, banks and insurers from London, Luxembourg and Frankfurt.

According to KNEIP, the research also found that the main concerns around PRIIPs are future performance testing and on-going fee disclosures, which were cited as issues by 33 percent and 30 percent of respondents.

Respondents also highlighted calculation of risk indicators, which was cited as an issue by 19 percent, while 13 percent named issues around target market as their main concern.

Mario Mantrisi, senior adviser to the CEO at KNEIP, said: "The timeframe was a sizeable challenge from the beginning. However, with the release of the level II RTS, which varies considerably from the initial issued guidelines in several areas, the timeframe has become for many a seemingly unattainable objective."

The new standards state that fund managers must provide information on how a fund could perform in various circumstances.

"This has proven a challenge for the industry, as previously information was only required on past performance scenarios," Mantrisi said.

He added, however, that the deadline is unlikely to change. He said: "This means that in many circumstances, fund managers will have to provide this information by the end of 2016, and will benefit most now from concentrating their energy on finding pragmatic ways of doing whatever it takes to meet the deadline."

Blockchain could reduce risks of clearinghouses, says Fidessa

Clearinghouses are already, by definition, too big to fail, but blockchain could be instrumental in reducing the risks, according to Steve Grob, director of group strategy at Fidessa.

In a blog post, Grob addressed the industry concern that the merger of the London Stock Exchange and Deutsche Börse could create a dangerously large clearinghouse.

He argued that in fact, the clearinghouses in question, LCH and Eurex Clearing, are already too big to fail, even before the merger.

He said: "Imagine the fallout if either of these were to go through some sort of disorderly meltdown—would the UK or German governments really just sit back and watch?"

Grob pointed out that these types of clearinghouses only exist to provide confidence in the financial system, effectively underwriting transactions and acting as a "buyer or seller of last resort".

Therefore, he said, they are "by definition, too big or important to be allowed to fail".

He went on to suggest that this does not mean that spreading risk across more clearing venues is safer.

Each clearinghouse operates its own risk management systems, while most also strive to provide capital efficiency through margin offsets.

"This might make things complicated if positions across multiple clearing houses needed to be unwound in a hurry," he said.

Grob concluded that the transactional risk could be addressed by new technologies like blockchain, which could allow transactions to be completed much more quickly.

"If things really did go pear-shaped, then the clearinghouses would have to be kept upright however many or few of them existed. This only serves to highlight the reality that the only way to avoid transactional risk altogether is to make those transactions instantaneous."

"It's no wonder, then, that there's so much chatter around distributed ledger technology—also known as blockchain. But, imagining a solution and practically implementing it everywhere, for every asset class, are two completely different things."

Bolivian banks join SWIFT KYC

Bolivian banks connected to SWIFT are now using the Know Your Customer (KYC) Registry, marking further expansion of the registry in Latin America.

The centralised repository maintains a standardised set of information on financial institutions that is required for regulatory KYC compliance. It provides a way to exchange information for correspondent banking KYC rules, increasing efficiency and reducing risk.

Banks contribute an agreed 'baseline' set of data and documentation for validation by SWIFT, which the contributors can then share with their counterparties. Each bank retains ownership of its own information, as well as control over which other institutions can view it.

Alvaro Alvarez Monasterios, president of Bolivia's Bank Association Compliance Commission, said: "SWIFT's efforts to create the KYC Registry and engage the financial community are instrumental in the global fight against money laundering and financial crime. The registry's value in mitigating financial crime risks is unrivalled in this market."

Nelson Villalobos, deputy of Bolivia's Bank Association Compliance Commission, added: "The adoption of SWIFT's KYC Registry by all member banks demonstrates the industry's commitment to preventing financial crime, both at the national and international level."

Fedra Ware, SWIFT practice lead for compliance services in Latin America, said: "With heightened expectations from regulators across the board for improved levels of transparency, banks in Latin America need to demonstrate a steadfast commitment to financial crime compliance."

"By taking clear action, Bolivia's financial community sets the tone for a stronger financial system, thereby supporting the region's inclusion in wider international trade activity."

The SWIFT KYC Registry has now been adopted by more than 2,350 financial institutions, globally. It is used by banks in every Latin American market, and is endorsed by central banks and financial communities in the Dominican Republic, Panama and Costa Rica.

EBA Clearing adds SEPA payments offering to its service

EBA Clearing has added an enhanced remittance information service for single euro payment area (SEPA) credit transfers to its pan-European clearinghouse platform STEP2.

The new service comes as a response to demand from corporates, and allows for inclusion of up to 999 structured invoice and credit-note references in each individual SEPA credit transfer.

It is designed to support bundling of a large number of invoices and credit notes in to one payment, and to allow for easier reconciliation for the party receiving the payment.

The additional optional service, named AOS2, was initially activated by eight participant banks, and is scheduled to be rolled out in five additional institutions.

Laura Hänninen, treasury manager at Sanoma Corporation, said: "The fact that our customers can now put much more structured remittance data into one SEPA transaction will help to increase automation rates on both ends of the process and further bring down our reconciliation cost."

She added: "As a front running consumer media and learning company in Europe, with customers and suppliers in several SEPA countries, we welcome this new service and the optimisation potential it offers at a European scale."

Olli Savolainen, head of cash management corporates and institutions for Finland at Danske Bank, said: "This means that a growing number of corporates in Finland and SEPA can benefit from nearly unlimited remittance data capacity for their ISO 20022-compliant payments."

The new service is available to all STEP2 participant banks offering SEPA credit transfers and direct debits to their customers in the single euro payments area.

This amounts to around 4,800 financial institutions in 34 countries.

Digital Asset acquires Elevence Digital Finance in Switzerland

Blockchain provider Digital Asset has upgraded its technology capabilities with the acquisition of Zurich-based Elevence Digital Finance.

Elevence was targeted by Digital Asset for its modelling language technology, which is capable of expressing any right or obligation, including cash, securities and derivatives, whereby the code defines the considerations between parties and determines how these contractual relations can evolve over time.

This provides relevant parties with a unified view of current and future rights and obligations on a need-to-know basis, rather than on smart contract systems, which can reveal confidential information.

According to Digital Asset, Elevence's products will complement its existing software by providing "a new, verifiable way for parties to a transaction to independently prove updates to a distributed ledger while preserving data confidentiality".

The inclusion of Elevence into Digital Asset will expand the company's European presence with its first Zurich office along with the inclusion of Elevence's eight-strong team of experienced software architects, specialised consultants, and financial professionals.

Elevence CEO Dr Vincent Peikert will join Digital Asset as head of Switzerland and head of product for Europe, while Dr James Litsios, chief technology officer of Elevence, will become head of development in Switzerland.

Blythe Masters, CEO of Digital Asset, said: "With this acquisition, we will harness the power of Elevence's technology and its team of talented individuals to enhance our offering for the financial services industry."

She added: "The resulting Digital Asset platform is specifically designed to address financial services applications requiring automation, privacy and immutability."

Peikert said: "Digital Asset is recognised as a leading provider of distributed ledger technology and has a remarkable team developing and deploying cutting-edge software for financial institutions."

"This makes the company an ideal partner for Elevence, and joining forces will enable us to offer the broadest portfolio of solutions to the benefit of our customers."

Clearstream wins Platform mandate

Platform Securities has selected Clearstream to provide offshore custody services.

A provider of outsourced clearing and settlement services for UK wealth managers, Platform Securities intends to improve efficiency and asset safety for all asset classes, including investment funds, through Clearstream.

The Clearstream commercial settlement system offers automated order placement, delivery-versus-payment settlement, and asset servicing, and offers streamlined processes for all asset classes.

According to Clearstream, as regulators are increasingly monitoring fund processing and asset protection, wealth managers are looking for fund custody providers that can more effectively manage their clients' fund assets.

Marilyn Logan, international managing director for Platform Securities, said: "We have chosen Clearstream as our offshore custodian as it provides a fully automated service across all asset classes allowing our service offering to be future proofed for scalable growth."

"The global market coverage will allow our clients to have a truly whole-of-market offshore solution."

Philip Brown, co-CEO of Clearstream Banking, commented: "We welcome Platform Securities to our ever-growing community of UK-based clients, which validates our best-in-class services for the processing of UK and international services."

DTCC's Omgeo Alert signs up its first global custodians

The Depository Trust & Clearing Corporation's (DTCC's) Omgeo Alert has signed up the first two custodians to its GC Direct system.

Brown Brothers Harriman and J.P. Morgan are now live on GC Direct, which allows global custodians and prime brokers to be able to take on a more collaborative role in standing settlement instructions (SSI) maintenance.

Six prime brokers have also implemented DTCC's Omgeo Alert for prime brokers supplying SSIs to hedge funds.

Omgeo Alert offers a global database for the maintenance and communication of account information and SSIs.

Currently, Omgeo Alert contains more than 6 million settlement instructions, up 16 percent from 2014.

Bill Meenaghan, executive director of DTCC's Omgeo Alert, commented: "Over the course of 2016, Omgeo Alert will aim to extend coverage of client SSIs in its database, moving towards the SSI Utility's goal of 100 percent coverage, which will allow brokers to retire their internal SSI databases."

"As the year progresses, more SSIs will be managed by the global custodian instead of manually by the investment manager—further ensuring accurate SSIs in DTCC's Omgeo Alert. This move will help to address the issue of trade failures, 30 percent of which are caused by inaccurate settlement instructions."

Volante embarks on Turkish payments partnership with Payfessional

Volante Technologies has partnered with Payfessional to bring its VolPay product suite to the Turkish market.

Based in Istanbul, Payfessional specialises in developing and implementing electronic payment processing solutions for the finance industry.

Through the partnership, the two firms hope to provide a solution to help clients manage changes in payments messages, formats and channels.

The Volante technology is intended to reduce the cost and timescale of payment integration projects.

It can also help clients to react to regulatory and technological changes in the market, and take advantage of new business opportunities as they arise.

The VolPay Foundation product will help with meeting international and local payment flow integration requirements, while the VolPay Channel product allows for faster onboarding of corporate payment flows.

VolPay Hub should allow for faster processing and orchestration of payment flows, and more control and visibility of payments and cash management.

Payfessional president Sertaç Özinal commented: "Through our partnership with Volante, our clients will benefit by having access to a time-proven suite of payment products."

"In initial meetings with our customer base and prospects, we have seen that Volante's technology addresses a number of headaches they have in regards to payment processing and integration, and specifically with regards to on-boarding corporates and new payment channels."

Allan Spalding, Volante Technologies partners director for Europe, the Middle East and Africa, said: "Istanbul is a young, fast-growing financial hub, and as a result banks might not have the usual challenges of dealing with legacy systems that need updating."

"However, as we have seen with other financial markets across the globe, firms in the region must still contend with new and ever-changing payment messages, formats and channels. By partnering with Payfessional, we will have additional local expertise so in-house teams can reduce project implementation times and bring new services to market quicker."

Interactive Data expands Liquidity Indicator service

Interactive Data, a subsidiary of Intercontinental Exchange, has launched its Liquidity Indicators service in Europe and the Asia Pacific (APAC) region.

The service supports liquidity risk management across a range of market conditions, helping firms to assess the liquidity profiles of their portfolios, including estimates of projected trade volume capacity for fixed-income securities.

It uses the same fixed-income pricing and reference data content used for the Interactive Data pricing and trading functions.

Indicators can be used with information on a firms' position to estimate the best time to exit under various scenarios.

They can also calculate the expected market price impact on the target day for liquidating, and identify target dates to liquidate, based on target price impact thresholds.

Previously available in North America, the service is now also accessible for European and APAC corporate and sovereign securities.

Andrew Hausman, president of pricing and reference data at Interactive Data, said: "Measuring liquidity in fixed income markets remains an area of intense focus in the industry, which is especially evident in Europe's evolving regulatory landscape."

He added: "The expansion of our innovative Liquidity Indicators service plays a crucial role in supporting our clients' ability to achieve their liquidity risk management goals."

BNY Mellon holds firm on fees for asset servicing

BNY Mellon's asset servicing fees increased by a modest 1 percent in Q1 2016 from Q4 2015, but remained flat compared to the same time last year.

In its quarterly results, BNY Mellon boasted asset servicing fees of $1 billion so far this year.

This reflected net new business and higher securities lending revenue, offset by lower market values.

The bank valued its new business wins at $40 billion in assets under custody and administration for Q1 2016.

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The future's bright

Delegates looked to a future of fintech at the SWIFT Business Forum

Gathering at London's Tobacco Docks, delegates at the SWIFT Business Forum wholeheartedly embraced the conference's 'build the future' theme, predicting a financial technology industry as sunny as the spring weather.

Eileen Burbidge, a partner at Passion Capital and the fintech envoy for the UK Treasury, went as far as to say that financial services technology and 'fintech' will be inseparable in a decade.

Burbidge said that, by 2026, any financial service provider will be a 'fintech' and "we won't be talking about it as a separate thing". She also argued that, actually, fintech is nothing new, saying: "Financial services … has always been a leader in technology."

While service providers used to be the only innovators, they are now seeing more external influences on the market, and demand for technology is coming directly from users, rather than from within institutions.

Burbidge suggested that the industry should be working collaboratively, and that this is an achievable goal. She described an "ecosystem" where everyone is "working together to move the financial services industry forward".

While some of the most ambitious entrepreneurs and best value propositions are in the fintech space, Burbidge pointed out that innovations around settlements or reconciliations still cannot be realised without the help of a bank. Equally, banks would not be pushed to innovate if start-ups were not around to put pressure on them.

In the conference opening address, Javier Pérez-Tasso, CEO of SWIFT for the UK and the Americas, also honed in on the advantages of collaboration, pointing out that innovative start-ups do not have the same power of distribution as the big players. He suggested that firms should find a way to combine innovative new technology with a large client base.

Pérez-Tasso also highlighted London as one of the most active hubs for fintech, saying that the fintech phenomenon is happening everywhere but is "particularly strong in the UK".

He added, however, that it is still unclear who the eventual winners in this area will be. Comparing the competition in the industry to the London Marathon, he said that as more and more entrants join each year, it becomes harder to pick out the probable winners.

In a panel discussion, speakers suggested that, whoever comes out on top, financial institutions and industry bodies alike will have to adapt to the new payments landscape. Andrew Hausner, executive director for banking, payments and financial resilience at the Bank of England, said that central banks have to pursue their market stability mandate without jeopardising innovation in payments.

A tall order, and one that will force them to adapt to ensure they do it properly. "Change is going to happen, whether we like it or not," he said.

Hausner went on to say, however, that innovation doesn't necessarily always undermine stability. Too little competition can mean the market gets too concentrated, while innovation when, "properly channelled", can actually improve stability. He said: "If there is one thing a central bank has to do, it's keep a grip on stability."

Blythe Masters, CEO of Digital Asset, said she was representing the "part of the industry that's allegedly here [at the SWIFT Business Forum] to eat everyone's lunch".

While conceding that some may view her as "the disruptor in the room", she said: "That's really not the way I see it."

Disruptive technologies like blockchain, in which Digital Asset is a major player, having bagged mandates in the US for repo and Australia for equities, represent both risk and opportunity.

Risks exist because the focus on return on equity has materialised at a time when rates, spreads and liquidity are all low. At the same time, Masters said, costs have been rising consistently, driven by new regulatory compliance requirements. But not embracing innovation could put firms at risk of being left behind competitors that are unburdened by legacy infrastructure and regulation.

She went on to emphasise that blockchain technology is all about the ability to share and mutualise common infrastructure, and the possibility to eliminate significant post-trade cost. Often, she said, the alternative would be to exit certain spaces altogether.

In a later panel on real-time payments, speakers were asked about the benefits of faster payments in the UK, and the benefits they could bring to customers.

Becky Clements, head of industry engagement and payment change at challenger Metro Bank, argued that introducing real-time payments is important for new entrants, in order to allow clients the same benefits as the legacy banks. She said: "There will never be real competition until challenger banks … are able to give their customers the same experience as the big banks."

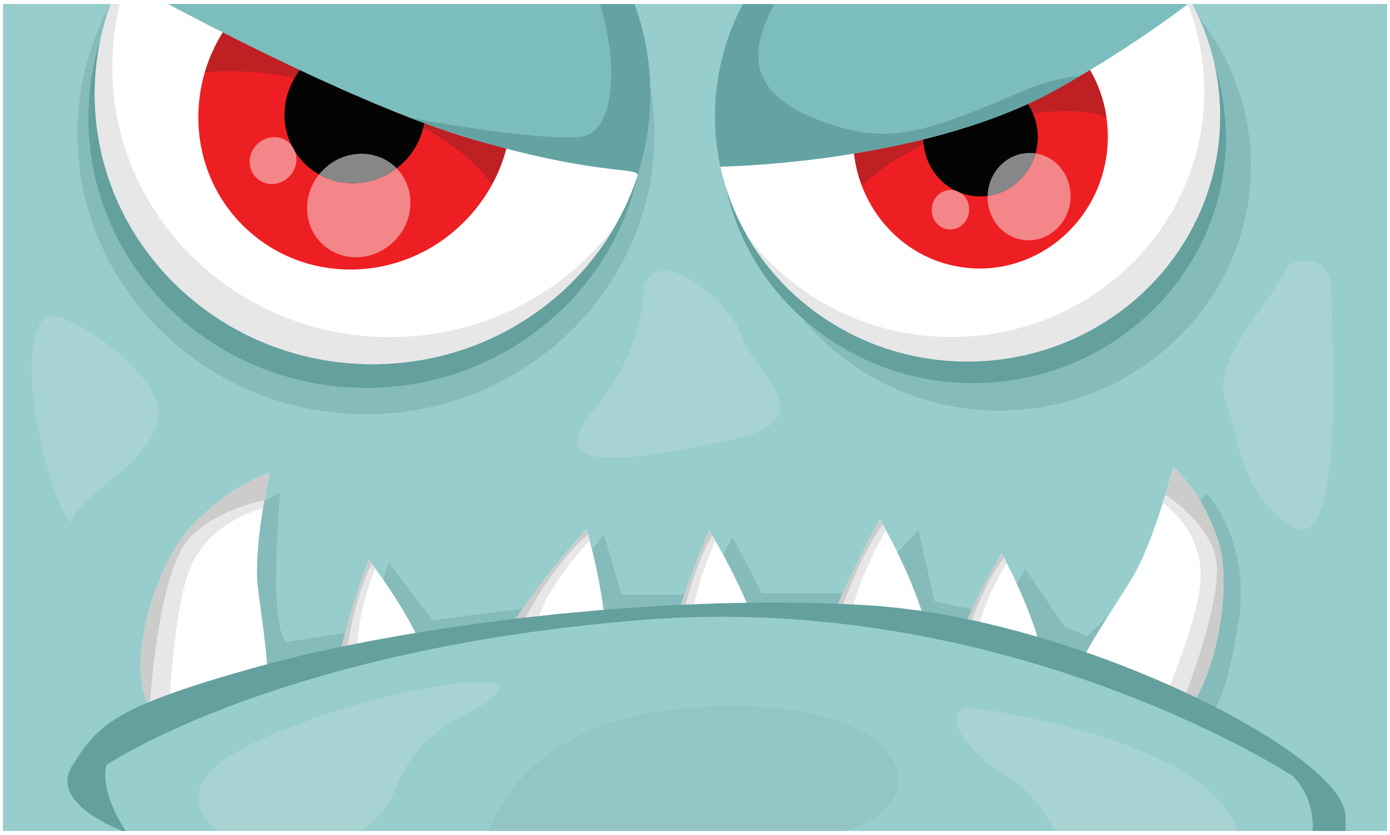
Representing HSBC, however, Thomas Schickler, managing director and global head of product management for global payments and cash management, argued that despite the opportunity, real-time payments also brings some concerns. Schickler said that global banks tend to do their own clearing, and that the cost to connect to a wider network for the first time is considerable.

Harry Newman, head of banking at SWIFT, which has been mandated to implement a faster payments system in Australia, agreed that national real-time payments implementation is an expensive and time-consuming project. He added, however, that it is more than just building real-time payments—it is about modernising the entire retail industry.

If payments use the ISO 20022 messaging format, this can allow for transfer of richer data, creating "a structure that allows innovators to build on top".

Once the basic system is in place, then other players, both banks and non-banks, can use the secure 'rails' to build additional services, Newman said, adding that this approach is likely to become "the norm". When asked about real-time cross-border technology, Newman pointed out that, although there are challenges around time zones and currencies, SWIFT is exploring this space—primarily through its Global Payments Initiative, which is focused on "bringing correspondent banking up to date", by making it more transparent, bringing same-day value to clients, and improving traceability.

While Schickler stressed that HSBC is supportive of the work SWIFT is doing in this space, he also noted that there could be "unintended consequences" of moving a lot of liquidity to real-time mechanisms. He questioned whether there is a demand for real-time cross-border payment, asking: "What are the use-cases for a cross-border instant payment? What problem does that solve? And who is clamouring for it?" **AST**



Coming II get you

There may have been a delay in implementation, but fund managers must keep an eye on the monster that is MiFID II, says David Moffat of IFDS

What are fund managers up against with MiFID II?

Fund managers are trying to deal with quite a complex piece of regulatory material that is very broad-ranging, and that runs through everything from relationships with research analysts, brokers, custodians and asset servicers through to intermediaries and advisors—basically everything that is billable to a fund. It has a very radical potential impact for the fund management community as a whole.

There are two broad components that really affect fund management in terms of ensuring appropriateness of a product. One is the issue of complexity. There is an expectation that if the investment product is anything other than a UCITS-qualifying fund, the client will have to be assessed on their investment knowledge. In the UK, that's near 40 percent of all funds. There could be up to seven levels of complexity, level one being not very complex at all to level seven being extremely complex. Determining this could be quite complex in itself.

This would require clients to go through a lot more pre-validation before making the application. It doesn't mean that they won't be able to buy the product if they're deemed not to have the investment knowledge required, but the fund managers would have to warn them accordingly. That's not an easy message to put across politely.

Thereafter, and probably more importantly, there is the requirement for fund managers, and any financial service provider in fact, to ensure the ongoing appropriateness of the product. They will be expected to look at the market as a whole, look at the client's business, and assess whether the use the client is making of the product is as the provider intended. The unanswered question, however, is what the manager should do if they find the product is being misused. It's all quite opaque at the moment.

Has the deadline extension helped?

Now the deadline for the whole exercise has been extended from January 2017 to January 2018, the tendency has been to breathe a sigh of relief in anticipation of more time to prepare. That only actually works if the regulators produce papers to the original timeframe and, actually, the extension is primarily to accommodate the fact that they won't be ready to produce anything on time.

The Markets in Financial Instruments Directive (MiFID) legislation has multiple different layers. We already know the tier-one principles of what the directive is trying to achieve, and the European Securities and Markets Authority (ESMA) is in the process of releasing elements of the second tier. This will specify the overarching guidance included in the regulation, which is mandated, and the directive, which can be interpreted and applied locally. Local regulators will need a consultation before they can produce tier-three documents, which will specify the requirements for institutions in each market.

We probably won't actually get the third-tier documents any earlier in the process than we would have anyway. There will still only be six to nine months between finding out the final regulations and the implementation date, and that really isn't enough. We had a similar problem with the implementation of the Client Asset Sourcebook rules and with the Retail Distribution Review. The details came in from the regulator far too late and we had to start guessing, based on the documents we had and on our interpretation of the second-tier documents, what the third-tier requirements might be, so that we could start building the capacity, the functions and the software to be able to comply.

That's such a gamble. Firms end up guessing that they can do a better job of interpreting European regulation than the local regulator can, without the benefit of the consultations the regulators get. It's not a nice situation, but I think firms will be changing processes, procedures and systems before they know for sure what they're going to be asked to do.

Do you think the January 2018 deadline could be pushed back again?

I think more issues will arise in the consultation stage, and I think regulators will realise that this will only work if there's a consistency of application across Europe. If we end up with every local regulator in every market each coming up with its own interpretation of how the product provider should assess appropriateness, it will likely kill the whole cross-border market.

If a Luxembourg cross-border administrator has do go through completely different processes for applications from Spanish, French and German investors, the whole benefit of having a centralised asset administration function based on a single domicile falls to pieces. Ideally more of this should have been defined at the MiFI Regulation level to ensure consistency.

The second thing that could stretch things out is the realisation that, if they go down the route they're planning, those same regulations will apply to non-EU institutional investors, too. There is a risk that distributors in Asia or Latin America, for example, will decide to avoid all the investor qualification and appropriateness rules demanded by MiFID II and opt to recommend a fund domiciled in Singapore or Hong Kong instead. Alternatively, fund managers could be forced to create mirror funds in Singapore and Hong Kong just to avoid the European regulation, building a whole new layer of costs into their distribution model.

If the directive is applied in the way it's currently drafted, it could be very counterproductive. So, with all of this in mind, I think it will be delayed further.

Are fund managers properly preparing for the implementation date, as it stands?

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

I am worried that MiFID II is just another brick in the barrier-to-entry wall and that small and medium-sized managers will find it proportionately harder to accommodate. It becomes just another load around their necks. You can be a very big global player or a very small specialist boutique, but there is no middle ground any more. Those firms are trying to be all things to all people without the revenue flow to justify it and they will probably be acquired or bought out, or they'll just give up.

Even the bigger players are only just starting to understand just how big this is. MiFID II dwarfs the UCITS regulations, the Alternative Investment Fund Managers Directive, the Foreign Account Tax Compliance Act and all the know-your-client rules all rolled in to one. It's huge in terms of its potential impact, and the fact that people aren't properly engaging with it is quite concerning.

Are there firms that just don't know where to start?

To be fair, there are thousands of pages to the directive, it's not written in terminology anyone is used to and the structure is quite hard to get your head around. It's not very accessible in the first place, and at the moment there are huge sections missing. It's understandable that firms are planning to engage with it when it's finalised, but the fact is that if they wait for it all to be there, they will be too late.

Some may be waiting to see how things develop and hoping that other fund managers or service providers might figure it out for first and do all the heavy lifting, but this isn't the right approach. All affected parties should be keeping a dialogue open with the regulator, letting them know what is and isn't working, and making suggestions for improvement. If fund managers don't get involved in the process they can hardly be surprised if they don't like the outcome very much.

They can rage against it and ignore it all they like, but MiFID II is coming, and they have to know how they're going to deal with it. **AST**

> ***If MiFID II is applied in the way it's currently drafted, it could be very counterproductive. I think it will be delayed further***

David Moffat, Group Executive, International Financial Data Services

Industry Recruitment

Java Developers

Recruiter: Simply Executive
Location: London

My client is looking to build a team of experienced Java Developers to play a critical role on a bank wide programme. The position involves working in a fast-paced environment with a team of Project Managers, Business Analysts, Java/CMS and UI Developers, Testers, in-house business users through the Product Owners.

AIS Team Manager, CRM Tier 1

Recruiter: BNY Mellon
Location: London

This position manages a team of three-plus relationship managers, and oversees a portfolio of many large tier-one hedge fund and alternative investment relationships, which generate a significant portion of division revenues.

Business Implementation Manager

Recruiter: BNY Mellon
Location: London

Forming part of the business oversight function within the COO group of EMEA asset servicing, this role will be responsible for a number of KYC and AML activities including the interface with AML compliance and the AML due diligence teams and providing guidance to the business.

Global Head, Securities Services Operations Client Service

Recruiter: HornbyChapman Ltd
Location: Hong Kong/Singapore

This role has responsibility for the oversight of the securities services operations client experience. The role will be part of the securities services operations team, which supports securities services clients and products (custody and clearing, corporate agency and trust, and fund services).

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

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

Movers and shakers at BNY Mellon, DTCC and more

BNY Mellon has promoted **Richard Gill** to lead its markets business in Europe, the Middle East and Africa (EMEA).

Gill will be responsible for leading business strategy in the region, working alongside Mark Militello, head of BNY Mellon Markets for the Asia Pacific region.

Having spent more than 20 years at BNY Mellon, Gill's previous positions include co-head of FX trading and chief FX dealer.

In his new role, he will also be a member of the markets executive management team, the markets risk committee and the EMEA chairman's forum.

Based in London, he will report to Michelle Neal, president of BNY Mellon Markets and, locally, to Michael Cole-Fontayn, chairman of EMEA at BNY Mellon.

Neal said: "Richard Gill's appointment allows us to better balance global and regional considerations in managing our businesses."

She added: "Our senior regional executives in EMEA and Asia Pacific (APAC) now have dual reporting lines to the head of the region and to the global head of their business. These changes will empower these executives and give them significant input on issues that affect local employees, business partners and clients."

The appointment comes after Deutsche Bank's Piers Murray was announced as the new COO of the BNY Mellon Markets business, effective 15 June.

Euronext has a appointed a new CFO, **Giorgio Modica**, to replace **Amaury Dauge**, who is leaving to pursue new financial technology projects in New York.

The change is part of a reshuffle of the Euronext finance team, intended to strengthen the stock exchange operator and to support implementation of its upcoming strategy.

Dauge has been with Euronext Group for 15 years, including five years in New York at NYSE Euronext. He has been CFO since 2014.

He has been credited with encouraging growth and business transformations at Euronext, and with contributing significantly to the initial public offering process.

Dauge will depart Euronext on 1 June, following a handover period with Modica, who will join on 2 May.

Modiga joins from BNP Paribas where he was a senior corporate finance banker in financial institutions, a position he held for nine years.

He was responsible for the stock exchange sector globally, and for the Spanish and Italian markets.

He has also acted as an advisor to the Euronext Group since 2011.

Stéphane Boujnah, CEO of Euronext, said: "Euronext is very grateful to Amaury Dauge for his strong contribution to our group over the past 15 years. We wish him every success at a time when he is returning to New York to join an entrepreneurial fintech project."

"All the members of the managing board and I are delighted to welcome Giorgio Modica as our new CFO," she said.

"I strongly believe that his impressive knowledge of the market infrastructure sector, his precise understanding of our investors' expectations, his real intimacy with Euronext's financial issues and the strong financial team assembled around him puts Euronext in the best position to deploy our new ambitions for the years to come."

In addition, **Bernard Holsboer** has been promoted to the role of group finance director. Previously treasurer and tax director, he has been with Euronext since 2007.

Stéphanie Bia, currently head of investor relations, adds head of business performance to her title. She will now be responsible for overseeing cost management programmes and delivery of new business initiatives

Jan Breken remains in his position as group financial controller, and **Camille Beudin** joins as head of mergers and acquisitions.

The post-trade market infrastructure The Depository Trust & Clearing Corporation (DTCC) has added three new members to its board of directors.

Lester Owens is managing director and global head of wholesale banking operations at J.P. Morgan, **Paul Simpson** is managing director and global head of equity asset management services at Bank of America Merrill Lynch, and **Joseph Weinhoffer** is treasurer and chief investment officer of ED&F Man Capital Markets.

The board of directors is formed of a total of 19 directors; 12 representatives of clearing agency participants, three non-participant directors and two representatives designated by the DTCC Series A and B shareholders.

The remaining two members are the non-executive chair Robert Druskin and chair and CEO of DTCC Michael Bodson.

Druskin said: "We are excited to have three accomplished industry leaders joining our board as we continue to expand our mission to help address new challenges facing financial firms."

He added: "They bring decades of experience across a wide range of areas in financial services to the board, and their expertise and perspective will be invaluable as we seek new opportunities to deliver greater value to our clients globally."

MUFG Investor Services has appointed **Michael McCabe** as sales director in New York.

McCabe joins from BNY Mellon's alternative investment services business where he spent more than 10 years in charge of the North American business development team.

In his new role, he will play a key role in driving business development in North America for MUFG's asset servicing solutions across hedge funds, fund of funds, and private equity and real estate funds.

John Sergides, global head of business development and marketing at MUFG, said: "McCabe's appointment reflects our long-standing commitment to providing best in-class asset servicing solutions for our clients."

Crestbridge has strengthened its fund services team with the appointment of **Colin Targett** as a director. Based in Jersey, Targett will focus on growing the firm's liquid fund administration and management company offering, following the recent approval by the Jersey Financial

Services Commission to provide management company solutions to investment funds.

Graeme McArthur, CEO of Crestbridge, commented: "[Targett's] significant experience within the investment funds arena, spanning many aspects of investment funds services in multiple jurisdictions, will be a great asset to our fund services team and our clients."

Naren Patel has joined SmartStream as head of strategic account management for its Corona business unit.

The Corona software provides reconciliations and exception management for cash, securities, foreign exchange and money market transactions.

Patel will be part of the European sales team, responsible for business development and strategic account management in the UK and Ireland, Scandinavia, Belgium, the Netherlands and Israel.

He will report to Marcus von Rahden, head of sales for the Corona Buinsess Unit in Europe.

Patel joins SmartStream from Markit, where he was a strategic account director, and has previously also held positions at the likes of Broadridge, Fiserv and Swift.

Patel said: "During my time in the industry I have witnessed many Corona deployments and the combination of market-leading products with sophisticated technology coupled with service that is second to none, really does make this an exiting proposition for me."

BNY Mellon's **Ileana Sodani** has been appointed to the newly created role of head of relationship management for the asset servicing business in EMEA.

Sodani will be responsible for overseeing relationship development in the region for the BNY Mellon asset servicing team and for Eagle Investment Systems, the BNY Mellon financial services technology provider.

She will report to both Samir Pandiri, CEO of asset servicing and Hani Kablawi, CEO of asset servicing for EMEA, and will continue to be based in London.

"Ileana Sodani has extensive experience building a large and diverse client base," said Pandiri.

He added: "Providing safekeeping, technology, data and fund services solutions to financial institutions and asset owners is a key driver of growth for BNY Mellon in the region." AST

AST
AssetServicingTimes

Editor: Mark Dugdale
markdugdale@assetservicingtimes.com
+44 (0)203 750 6022

Deputy Editor: Stephanie Palmer
stephaniepalmer@blackknightmedialtd.com
+44 (0)203 750 6019

Contributors: Becky Butcher, Drew Nicol and Tammy Facey

Associate Publisher: Joe Farrell
joefarrell@assetservicingtimes.com
+44 (0)203 750 6027

Publisher: Justin Lawson
justinlawson@assetservicingtimes.com
+44 (0)203 750 6028

Designer: Steven Lafferty
design@securitieslendingtimes.com
+44 (0)203 750 6021

Recruitment Manager: Chris Lafferty
chris@assetservicingtimes.com
+44 (0)208 663 9624

Office Manager: Chelsea Bowles
accounts@securitieslendingtimes.com
+44 (0)203 750 6020

Office fax: +44 (0)20 8711 5985

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