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Bangladesh bank cyber criminals 'used malware' to attack system

The cyber criminals who stole $81 million from the Central Bank of Bangladesh probably pulled it off using malware, according to BAE Systems.

According to researchers at BAE, the attacker, or attackers, used malware to gain access to the central bank's system and instructed an American bank to transfer money to various accounts in the Philippines.

The attackers attempted to steal a total of $951 million, most of which was blocked before it left the bank. Of the $101 million that was successfully transferred, only $20 million has been recovered.

In a blog post, Sergei Shevchenko, a security researcher at BAE Systems, said: "The technical details of the attack have yet to be made public, however, we've recently identified tools uploaded to online malware repositories that we believe are linked to the heist."

He explained: "The custom malware was submitted by a user in Bangladesh, and contains sophisticated functionality for interacting with local SWIFT Alliance Access software running in the victim infrastructure."

SWIFT responded to the findings, saying that it is aware of a malware intended to reduce institutions' ability to detect fraudulent transactions.

However, SWIFT maintained that this has no direct impact on SWIFT's core messaging service and network.

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IBM addresses concerns about blockchain security

US technology giant IBM is working with industry participants such as BNY Mellon to create a "tamper-resistant" blockchain solution for the trade and transfer of assets.

The industry collaboration comes after IBM highlighted the point that concerns around the security of blockchain as an emerging technology are holding back many participants from investing fully.

Suresh Kumar, chief information officer at BNY Mellon, said: "At BNY Mellon we are actively exploring blockchain's potential to better serve our clients and our company."

"With this new initiative, IBM is providing an environment that will allow companies like us to collaborate more easily, more securely and in a more standardised way, which is critical to advancing meaningful use cases for blockchain."

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CCPs in ESMA stress test success

European central counterparties (CCPs) are generally well equipped to manage extreme negative developments in the market, according to the European Securities and Markets Authority (ESMA) stress test report.

In the first EU-wide stress test, ESMA assessed the resilience of CCPs to severe market shocks, and the potential impact this could have on their clearing members.

Under the European Market Infrastructure Regulation (EMIR), ESMA is required to identify any events that could exhaust the resources of CCPs, and to estimate whether such an event could have an adverse effect on the economy.

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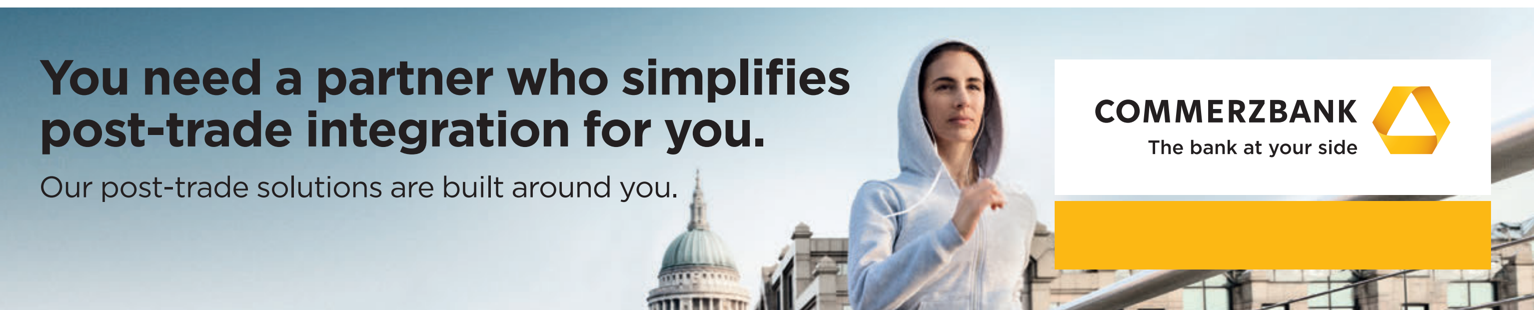

Bangladesh bank cyber criminals 'used malware' to attack system

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Shevchenko said in the blog: "The tool was custom-made for this job, and shows a significant level of knowledge of SWIFT Alliance Access software as well as good malware coding skills."

He added: "The general tools, techniques and procedures used in the attack may allow the gang to strike again."

In a statement, SWIFT said the malware can only be installed "on users' local systems by attackers that have successfully identified and exploited weaknesses in their local security".

SWIFT has now developed an additional facility to help banks improve their security and spot inconsistencies in their local database records.

The statement went on to say: "The key defence against such attack scenarios remains for users to implement appropriate security measures in their local environments to safeguard their systems—in particular those used to access SWIFT—against such potential security threats."

"Such protections should be implemented by users to prevent the injection of malware into, or any misappropriation of, their interfaces and other core systems."

Shevchenko said: "All financial institutions that run SWIFT Alliance Access and similar systems should be seriously reviewing their security now to make sure they too are not exposed."

He added: "The wider lesson learned here may be that criminals are conducting more and more sophisticated attacks against victim organisations, particularly in the area of network intrusions."

This story was clarified to highlight the fact that SWIFT's systems and services were not compromised in any way, nor were they used or manipulated by any criminal enterprise.

IBM deals with blockchain security

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In a brief on the blockchain initiative, IBM said: "Blockchain networks are built on the notion of decentralised control, but some cloud environments leave back doors open to vulnerabilities that allow tampering and unauthorised access."

"Working with teams of security experts, cryptographers, hardware experts and researchers, IBM has created essential new cloud services for tamper-resistant, trusted blockchain networks."

Jerry Cuomo, vice president for blockchain at IBM, said: "While there is a sense of urgency to pioneer blockchain for business, most organisations need help to define the ideal cloud environment that enables blockchain networks to run securely in the cloud."

Eiji Ueki, director and executive vice president of NTT DATA, an IBM client, added: "Blockchain is a highly innovative and promising technology. However, there are a lot of issues to be solved for enterprise systems."

"IBM's new blockchain cloud service is directly trying to address those issues. We believe this will help accelerate the maturation of blockchain technology."

IBM revealed it is addressing these concerns directly by forging cloud services with the highest federal information processing standards (FIPS 140-2) and evaluation assurance levels in the industry to support the use of blockchain in government, financial services and healthcare.

IBM is also making it easier to use its code, based on the Linux Foundation Hyperledger Project, in any environment, and offering services on Bluemix, the IBM cloud platform, to help developers quickly build applications.

CCPs in ESMA stress test success

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According to the report, CCPs would only struggle in the case of a number of clearing members defaulting at once during a period of severe market volatility.

The stress test covered components of member default, historical variants, hypothetical variants and reverse stress testing. The reverse stress test explored the number of entities that would have to default to exhaust the total resources of a CCP, also taking in to account the other three variants.

The test found that pre-funded resources would be sufficient to cover losses, considering hypothetical and historical stress scenarios.

In the case of these stress scenarios combined with the default of the top two clearing members, a CCP would have to call in additional resources up to an estimated amount of €1.4 billion.

This would leave remaining uncovered losses of about €100 million.

However, this is an extreme, unprecedented and implausible scenario, and the system was deemed, overall, to be resilient to such stress scenarios.

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Reverse stress testing involved the hypothetical default of an extremely high number of entities, both EU-wide and at an individual CCP level.

The actual effect of this would not be limited to CCPs, ESMA said, and therefore cannot be accurately estimated. However, it assessed that the theoretical shortfall CCPs could withstand is around €40 billion.

Eurex Clearing has welcomed the results. A spokesperson highlighted the findings around concentration and shortcomings in individual stress tests, saying: "The low level of concentration highlights the stability of the financial system. Based on our own calculations, Eurex Clearing shows one of the lowest concentration levels among all European CCPs."

Chair of ESMA, Steven Maijoor, said: "CCPs play a significant role in financial markets by reducing the exposure risk of clearing members. Therefore, ensuring that CCPs are resilient to shocks is an important supervisory tool to mitigate systemic risk."

"ESMA's first EU-wide stress test shows that European CCPs are overall well equipped to face the counterparty risk associated with the considered stress scenarios."

Blockchain technology gets a proxy voting prototype

The National Settlement Depository (NSD), the Russian central securities depository (CSD), has completed testing on its blockchain e-proxy voting technology.

NSD has been working with DSX technologies on the projects, and the prototype is based on the NXT distributed cryptographic platform, using the ISO 20022 messaging standard.

The technology uses distributed ledger technology to submit instructions for corporate actions, making information available to all members of the chain at the same time. The distributed database contains a full history of updates, and once data is entered it cannot be edited, meaning it should be impossible to tamper with.

It is designed to make information easily traceable, and to ensure optimum integrity at every point of the voting process.

Regulators and auditors can also access all necessary information by becoming members of the network.

Securities holders vote using digital signatures, and once votes are entered into the blockchain, they are issued with identification numbers. Once votes are passed to the CSD, the system calculates the results and NSD publishes them on the blockchain.

The system then keeps a record of any changes made throughout the voting procedure, and stores the results.

Eddie Astanin, chairman of the executive board at NSD, said: "Over the past 10 years, the global financial infrastructure has faced the challenges that make us review the approaches to reliability, security and performance of information systems."

"It is obvious for us that ignoring the rapid development of fintech and upgrading the out-dated platforms could hinder the stable development of the Russian financial system."

"Fortunately, Russian specialists are among the most experienced in the global fintech industry, and we have proven this fact by implementing a fully functional prototype of an e-proxy voting system based on blockchain."

"After testing blockchain for bondholder meetings, we can extend the use of this technology to other business areas of NSD."

During the testing period, the working group achieved a submission speed of 80 voting instructions per second, and according to Sergey Putyatinskiy, IT director at NSD, the CSD is now working to improve capacity and to enable support for more voting types.

Putyatinskiy said: "Our next step would be to subject our new prototype to legal and cryptographic expert evaluation, which will give us a more definite idea whether the prototype is suited for real voting."

Faster payments the future for US

US financial institutions that do not embrace faster payments risk getting left behind in the long run, according to a D+H white paper.

The paper, co-authored by PNC Bank and The Clearing House, pointed out that banks and other market participants in the US are starting to consider faster, or real-time, payments solutions, where previously in this kind of innovation the US has lagged behind the rest of the world.

It said: "To date, the US has been conspicuous in its absence from the list of countries embracing real-time payments. But this situation is changing fast, with a surge of activity and initiatives underway to bring payments in the US up to speed with the rest of the world."

According to the paper, the Federal Reserve (Fed) is encouraging private sector companies to innovate and develop solutions, in order to create a powerful business case for wider adoption.

Introduction of faster payments from the large, private sector institutions is intended to attract a wider level of adoption from other market participants.

Guidance from the Fed also expands the scope of faster payments to include the entire end-to-end payments process, including payment notification, reconciliation and inter-bank settlement, the paper said.

The innovation has seen interest from various sectors of the industry, including existing payment solution providers, banks, card operators and technology start-ups.

The paper said: "This diversity of participants and initiatives may create some challenges with coordination among some market observers, but it doesn't have to."

"The common goal is to offer end-to-end solutions where the customer undertaking a transaction will receive a message back within five to ten seconds confirming that the payment has been made and the money is with the recipient."

It went on: "Achieving [this goal] will inevitably involve collaboration between a number of different parties, handling different parts of the value chain and/or offering solutions that meet particular needs."

Diversity of the interested parties means that faster payments could be applied to several use cases.

The paper listed business-to-business, person-to-person, consumer-to-consumer, business-to-consumer, and government-to-consumer, or consumer-to-government payments as possible applications, but stressed that it is important to choose the correct tools for the particular use case.

The paper concluded that faster payments will be a reality in the US. Institutions should be identifying the use cases that apply to them and working to create products to meet those needs.

They should also be starting to plan their technology builds and identifying the third-party technology partners they want to work with, according to the paper.

It said: "While the Federal Reserve's market-led approach means banks have a choice of whether or not to join the revolution, those that decide not to do so will risk losing payments revenues, customers and a competitive edge."

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UK overtakes Singapore for renminbi clearing, says SWIFT

The UK has overtaken Singapore as an offshore clearing centre for the Chinese currency renminbi (RMB), jumping to second place after Hong Kong.

According to the SWIFT RMB Tracker, the value of the UK's RMB payments increased by 21 percent between March 2014 and March 2016.

Hong Kong remains as the largest offshore RMB centre by far, however, processing 72.5 percent of all RMB payments. The UK now processes 6.3 percent, followed by Singapore, which processes 4.6 percent.

The SWIFT data also showed that RMB transactions make up the largest portion of all payments between the UK and China, accounting for 40 percent. The Hong Kong dollar accounts for 24 percent of these payments, and the British pound comes in third, accounting for 12 percent.

Stephen Gilderdale, managing director for the UK, Ireland and the Nordics at SWIFT, said: "Since the China Construction Bank, London branch, became a clearing bank in the United Kingdom in June 2014, there has been a steady growth of RMB payments between the United Kingdom and China and Hong Kong."

He added: "Offshore RMB clearing centres are driving greater use of the currency in global trade, and countries such as the United Kingdom are reaping the benefits."

RMB remains stable as the fifth most active currency for global payments by value, with a share of 1.88 percent. This represents a slight increase from the 1.74 percent share recorded in February 2016.

According to the latest SWIFT figures, the US dollar is still the most commonly used currency, globally, making up 43.09 percent of all international payments. This is followed by the euro, with 29.83 percent, the British pound with 8 percent, and the Japanese yen, which makes up 3.27 percent.

Three new members join post-trade blockchain consortium

Ernst & Young and two other institutions have joined the Post-Trade Distributed Ledger (PTDL) Group, bringing the total number of members to 37.

The group brings together industry participants to share information and ideas on the uses of blockchain, or distributed ledger, technology in the post-trade landscape.

Ernst & Young will provide general consultancy around the technology. Norton Rose Fulbright has also joined the group to advise on legal and regulatory issues, while Citigate Dewe Rogerson will provide public relations services.

The group includes global banks, custodians, central securities depositories, clearing houses, exchanges, regulators, government agencies and central banks. The committee is made up of representatives from CME Group, State Street, HSBC, UniCredit, Euroclear and the London Stock Exchange Group.

Sandra Ro, a committee member of the PTDL Group and executive director and digitasation lead at CME Group, said: "The potential impact of blockchain and distributed ledger technology on the post-trade industry is huge, and as with all pioneering developments, there is great excitement but also uncertainty."

"Through the PTDL Group we are connecting post-trade practitioners, regulated exchanges, regulators and central banks on this issue to see how best it could benefit the post-trade industry. However, in order to do this effectively, we need external partners with specific specialisms."

Nomura rolls back EMEA equity financing business

Nomura Holdings has confirmed it will be stripping back its equity financing operations throughout Europe, the Middle East and Africa (EMEA).

The Japanese bank plans to close its EMEA equity derivatives, delta one trading and equity futures and options business.

Equity underwriting and equity research will also be wound down.

Nomura will maintain a presence in London from which it will continue to offer repo, stock loans and total return swaps services to its EMEA clients. Its global prime brokerage service will remain intact.

The confirmation comes shortly after Nomura initially announced plans for widespread closures of some business lines in the EMEA and the Americas in order to consolidate its position in Asia.

The Japanese bank cited "extreme volatility and a significant decline in liquidity, triggered by heightened uncertainty in the global economy" as the driver behind the closures.

Tetsu Ozaki, COO of Nomura Group, said: "We are taking decisive action to refine the services we offer to our clients, while continuing to leverage our dominance and unique strengths in Asia, providing tailored solutions to our clients globally and continuing our 90-year legacy of putting clients at the heart of everything we do."

New fintech hub opens in Frankfurt

Deutsche Börse has launched a new financial technology centre in Frankfurt, in order to support the state government's initiative to create an innovation hub in the city.

The fintech centre is intended to support the start-up and investment culture in Germany. Four start-ups are moving into the office: Fintura, a loan rate comparison service for small- and medium-sized business; dwins, an account switching service; savedroid, an automated money-saving app; and a payment system, Cashlink.

On the site of a former pharmaceutical plant, the centre provides workstations, conference rooms and a lounge area, as well as space for creative working, networking and events. Staff from the Deutsche Börse Venture Network will also be around to offer guidance.

Deutsche Börse CEO Carsten Kengeter commented: "We want to give start-ups in the financial sector a jump start, thereby contributing to the creation and development of a fintech community within Frankfurt's financial centre."

Hauke Stars, the Deutsche Börse executive board member responsible for cash market, pre-initial public offering (IPO) and growth financing, added: "Promoting innovative business ideas is part of our broad offering, which begins with start-ups and continues with later-stage financing via Deutsche Börse Venture Network, extending through to IPOs and traditional exchange trading. To this end, we will be introducing additional offerings in the future."

Calastone Settlements signs landmark client

Hargreaves Lansdown has gone live with Calastone's funds settlement solution, Calastone Settlements.

The net settlement solution provides a matching engine, allowing buyers and sellers to match trades, before they settle in a single net movement.

Designed specifically for the funds industry, the solution automates reconciliation and settlement processes for investment funds and intends to improve efficiency and liquidity position.

Calastone has estimated that about 52 percent of trades are, in effect, settling unnecessarily. This equated to approximately £158 billion in 2015 alone.

The solution also means counterparties can know their liquidity positions before the trade actually takes place.

Jon Willis, chief commercial officer at Calastone, pointed out that the solution can only be fully effective as a community, or network, including both distributors and fund managers.

When the solution launched last year it saw some momentum, he said. However it required a participant with a large transaction volume in order to make it sustainable.

Willis said: “Hargreaves is really important for us because it gives the level of volume to bring the product out of the ‘beta’ stage and in to a full-blown support system, where it can actually start helping to drive economy.”

“That support is driving a second wave of fund managers to sign up, and that in turn will make it more attractive to more distributors. It’s a swing effect.”

Danny Cox, head of communications at Hargreaves Lansdown, said: “Automatic matching of trades and the netting of settlement positions early in the day will improve the efficiency of our operational and treasury teams. Given the number of transactions that Hargreaves Lansdown processes this is of huge benefit.”

Willis added: “Conceptually, the community understood that there was a problem in the marketplace that could be solved, both from an operational efficiency and a liquidity risk aspect. But, certainly having endorsement from an institution like Hargreaves, considering a reputational and a scale standpoint, is hugely beneficial.”

“The more people that adopt the solution, the greater the efficiency for the industry as a whole.”

SS&C Global Wealth Platform gets an upgrade

SS&C Technologies has released improvements to its cloud-based investment management solution, the Global Wealth Platform.

According to SS&C, the changes come as a response to client demand. Upgrades include improvement to client management tools such as investment policy statement management and tax harvesting.

Additional capabilities include capture of combination orders that are executed simultaneously, and processing for offsetting purchases and sales in to a single order, for improving efficiency and reducing transaction cost.

A new tool will also allow advisors to automate the exercise or assignment of options.

The improvements are intended to align market conditions and client investment strategies and to provide better insight in to clients’ portfolios.

Eric Rocks, managing director of SS&C Technologies, said: “Our clients have been at the forefront of driving the direction of SS&C’s product development, making sure that we are delivering the enhancements they need and expect from a world class technology provider.”

He added: “The upgrades in this release enable our customers to monitor and review taxable and non-taxable accounts quickly to spot potential issues or opportunities. This functionality is critical to help our customers stay on top of their clients’ portfolios and make more informed investment decisions, while delivering high client service levels.”

First Derivatives wins analytics tech mandate from Thomson Reuters

Thomson Reuters has enlisted the help of First Derivatives (FD) for its analytics streaming solution, Velocity Analytics.

FD will provide its Kx technology to help power the financial data platform, which combines real-time data and reference data with the existing Thomson Reuters database.

According to FD, the mandate follows a review by Thomson Reuters of several real-time and in-memory technologies.

Velocity Analytics also includes market data from more than 70 external sources, allowing clients to build up their own data repositories.

Delivered from the private financial markets cloud network Thomson Reuters Elektron, the service intends to give client access to market data, which can be used with quantitive analysts and traders, or to help them meet regulatory requirements.

Mike Powell, managing director for enterprise capabilities in financial and risk at Thomson Reuters, commented: “Given Thomson Reuters’s global customer footprint and the demand across the industry for streaming analytics and market insight, driven by increasingly quantitative trading strategies and regulatory reporting requirements, demand should be strong for this solution.”

Brian Conlon, CEO of FD, said: “FD is pleased to partner with Thomson Reuters, using the ability of our Kx technology to enable real-time analytics on very large data sets to power the Velocity Analytics service.”

“This agreement significantly increases our channel-to-market and the service will be rapidly deployed to customers through Thomson Reuters Elektron, which will accelerate our growth in this market.”

BNP Paribas Securities Services sees revenue rise

BNP Paribas saw its securities services business secure a slight rise in revenue during Q1 2016.

The 0.3 percent rise in revenue to €440 million was attributed to a 2.7 percent decline in assets under custody, on the back of decreasing markets. At the same time, the French bank saw a 16.1 percent rise in transactions.

BNP Paribas secured a number of new mandates during Q1 2016, including a global custody contract from Finnish financial services group Sampo, which has €25 billion in assets.

Also during Q1 2016, the bank’s equity and prime services business unit suffered a 41.2 percent fall in revenue compared to Q1 2015, bringing in €428 million. This was due to weak demand for structured products in declining markets in Europe, BNP Paribas said.

Bravura and Schroders continue transfer agency relationship

Schroders has signed a five-year deal with Bravura Solutions, extending the 16-year working relationship between the two firms.

Bravura will continue to provide Schroders Investment Management in Luxembourg with transfer agency and financial messaging support through its GFAS platform and Babel solution.

The GFAS platform is the core transfer agency system, supporting funds in Luxembourg and five other domiciles. Babel is a financial messaging technology solution used for connecting Schroders’s US intermediary distribution network.

Bravura CEO Tony Klim said: “This new contract is testament to the strength of our relationship with Schroders. After 16 years, GFAS remains at the heart of its transfer agency operations and, more recently, Babel has been introduced to support the company’s financial messaging needs.”

Noel Fessey, Schroders global head of fund services, said: “Our operations centre in Luxembourg has become a global resource for Schroders because of its ability to combine sound operational thinking with great technology.”

No-robo

Proper analysis of big data can give asset managers the edge, but robots don't necessarily hold all the answers, says INDATA's David Csiki

How can asset managers best use data analytics to their advantage?

The latest technology offers asset managers big data analytical tools, which can give them access to a superior set of capabilities to those they have had previously. In the past, technology focused on relational databases, which required a lot of database administration and data warehouses, all of which was very labour-intensive.

For INDATA clients we have used big data technology to integrate and unify a wide variety of data sources, which is essential for investment managers. Big data tools can do this more effectively because of the way they're constructed and configured, and the end result is that asset managers can have their data at their fingertips, unlocking it from the silo structures that were previously in place, and actually being able to use it. If an asset manager has access to accurate, high quality data that is up to date, then it could gain real advantages over its competitors.

> ***An institution or a business is likely to demand the expertise of an experienced institutional adviser, and the relationship that comes with it***
>
> **David Csiki, President, INDATA**

How important is automation and streamlining of processes?

It's a key part of it. Where asset managers are using various data sets, systems and everything else, they end up with a lot of breaks in the chain, so to speak. They end up constantly trying to round up, validate and utilise data when it's all locked up in different systems. These processes could be automated and integrated and stored centrally in what we call the 'data model', where it can be accessed quickly and reliably, and used for various different things.

The whole concept of the model is to make these huge data sets easily accessible, and to put the data in the hands of the end users that need it. For example, if a fund marketing professional has current data and historical data at their fingertips, he or she has a distinct advantage over someone who has to round up that data, screen it and make sure it's accurate. There are still some big gaps in terms of automation here.

Where does cloud technology come in to it?

INDATA was an early adopter of cloud technology. Our solution came out in 2011, so it's pretty mature from an industry standpoint. We have a private cloud, as opposed to using a public cloud utility, because privacy is very important to our clients, as is their fiduciary responsibility to their own clients. We've rolled out this cloud model where clients' data isn't co-mingled and that largely satisfies their concerns over privacy and security.

Fundamentally, the cloud eliminates the technology requirements for asset managers. Instead of worrying about upgrading servers and maintaining their own systems, they can outsource that burden as part of a service level agreement. That's attractive to them—their business is managing investments, not managing technology.

Over the long term, this can save them money as well. With use of big data taking off, the technology infrastructure that contains the big data tools can be stored in the cloud. That is a huge advantage, as trying to keep it all together in-house can be a huge undertaking to say the least.

What is the idea behind 'robo-advisors'? Will they be effective long-term?

This is an emerging technology and there has been a lot of talk about it. Overall, however, at least among our client base, which is for the most part the institutional money-managers, I don't see an encroachment of robo-advisor solutions or technologies in our space. What these managers are doing is very difficult; they actively pick their securities and their investments and a lot of the time their clients wouldn't have it any other way.

Perhaps for certain segments of the wealth management space robo-advisory does have an appeal, for example in the context of passive investment advisory firms that are not necessarily chasing a superior return but rather just trying to keep up with the market. There are also some people who would prefer to manage their investments and monitor growth over time on a mobile device rather than talking to anybody, but I don't think they will get the same returns or service that they would from going through a professional institutional money manager.

There are interesting applications to robo-advisory technologies, though. They utilise big data and artificial intelligence, and they use other back-end tools that are worth exploring.

Is there a balance to be struck between robotics and human advisors?

It makes a lot of sense, when you consider the goal of the technology. Technology is not there to replace the humans, it's just a tool to help them. The trick is to get a good mix. There is also an element of trust to consider—an institution or a business is likely to demand the expertise of an experienced institutional adviser, and the relationship that comes with it. Even if the robo-advisors become statistically superior, it is human nature to want a relationship with the person or institution they're trusting with their investment, and no machine can really provide that. **AST**

The man in the mirror

If they want to make their world a better place, asset managers have to make a change, attendees heard at the ALFI London Conference

Asset managers were asked to change their ways at the Association of the Luxembourg Funds Industry (ALFI) London Conference at Guildhall. Keynote speaker Sony Kapoor, managing director of Re-Define and an advisor on financial policy and international strategy, suggested that the industry will have to make some significant strategic changes to stay relevant in the modern market.

Kapoor suggested that Organisation for Economic Co-operation and Development (OECD) countries are facing serious issues and a "demographic decline". They are facing record levels of public and private debt, rising political risk and increasing asset prices, he said. Citing the increase in house prices as an example, he pointed out that assets are being inflated to unsustainable prices, while returns are poor.

At the same time, a record number of bonds are generating negative returns, and members of the 'baby boomer' generation are starting to retire and so are withdrawing their savings.

In non-OECD countries, however, the emerging economies, the demographics look very different. Here, Kapoor said, political risks have been reduced, the population is primarily young, and the economies are not facing the same challenges that they may have in the past.

He told the audience of asset managers: "Most opportunities for the future in the funds industry are going to lie outside of the OECD and the faster you move there, the more expertise you develop, the deeper your efforts there, the more fantastic your returns are going to be."

A significant part of this opportunity lies in sustainable investment, he said. Although sustainability had a time as a buzzword in the industry, it never became a mainstream issue. "This has to change and it has to change now," Kapoor said, adding that the industry is starting to see regulation around carbon emissions and environmental issues, and that this is only going to get tighter.

He used India as an example of an emerging economy, suggesting that here the general public missed out on having home landlines and leapfrogged straight into the mobile phone revolution. Similarly, about 25 percent of the population currently have no access to electricity.

Kapoor suggested that, instead of connecting to the national electricity grid, these households are likely to move straight to being self-sustainable, using solar and water-generated power. This brings “amazing investment opportunities”, he said.

He went on to note that: “The tolerance of misdeeds in the financial sector has really fallen.”

Fines leveraged on large global banks have increased, he said, and, partly due to the global financial crisis, the general public has become less trusting and less tolerant, which has led to regulators becoming more responsive to inappropriate financial behaviour.

While there is very little that the industry can do about this, firms should make sure that there is nothing hidden from the regulators or from the public.

Finally, Kapoor suggested that the majority of issues affecting asset management on a global scale are related to one thing: “The failure of financial intermediation.”

As an industry, asset managers have historically failed to properly allocate investment into the areas where the best economic opportunities lie, he said. While the cost of capital is 18 to 22 percent, he pointed out that 95 percent of German bonds are invested in eurozone government bonds returning an average of 1 to 2 percent.

The fund management industry has to grow in its geographic reach and equity allocation, and managers should look for where the best long-term investments lie, while also harnessing technology to their advantage.

Kapoor concluded: “The future of asset management is bright but the future of present actors in the asset management industry is uncertain. If you are able to do the right things … your future will be bright. [Otherwise] you will be toast.”

In another session, panellists discussed changes in the investment space. Massimo Tosato, executive vice chairman of Schroder Investment Management, suggested that pricing of instruments should be reconsidered and that currently the costs of some funds are unacceptable, considering the returns they deliver.

He said: “Today, there is very little connection between value and price.”

Representing the European Commission on the panel, Niall Bohan, head of unit for the capital markets union, said that the commission is trying to build a better banking system and that the asset management industry will be a key part of the new landscape.

He added that the EU encourages the funds industry to invest in a variety of products, adding that firms are generally looking for more flexibility and that “globally, this is the direction we are going in”.

When asked whether more regulation in the market means better regulation, Bohan acknowledged that there has been a huge amount of regulation in the wake of the global financial crisis, however, he suggested that now is the time to take a step back and see how the market practitioners are responding.

He noted four main areas that still require improvement and that the commission will be focusing on. It has “still not cracked” issues of comparable disclosure across different types of investment products, he said, while the effectiveness of passporting is still an issue that needs to be prioritised.

Asset segregation is also an issue that is still a challenge, Bohan said, however he added that it is going to happen, and that it is important to have definition between products. Finally, he addressed reporting requirements, saying they are an issue across various parts of new legislation, and that they are sometimes considered to be excessive and disproportionate.

Claude Kremer, a partner at Arendt & Medernach and the panel moderator, stressed the role that regulation plays in maintaining a level playing field between the banking, insurance, pension fund and asset management industries, saying that equal ground is required for each industry to “contribute to the financing of the real economy”.

In a later panel, speakers addressed the calculation and reporting of leverage for liquid alternatives, concluding that currently the process can be problematic for investors.

Thomas Nummer, a fund director at Carne Global Financial Services, suggested that, while it makes sense to offer transparency to investors for leverage, the numbers they are presented with can be unclear, and when only some information is disclosed, it can be misleading.

Disclosing information is a “great idea but very difficult” to get right, Nummer explained.

Another panellist, Michael Derwael, a risk manager of Lombard Odier Funds, agreed that the intention is correct from a systemic risk perspective. But with different regulations, such as the Alternative Investment Fund Managers Directive and UCITS V, using different definitions of leverage, he agreed “it’s not always easy to make sense of it”.

With regards to rules around liquidity, the panellists expressed similar concerns. Derwael said: “The regulator is getting things right at least in the description of things.”

He added that while market players have to know their market and the equivalent requirements for their investors, there is no real market consensus. “The intention is good,” he said, but “when you get down to the practical details, it can be quite challenging”.

Nummer suggested that having liquidity risk management as part of an independent risk function in an institution can be helpful, and that reporting to the board is reflecting a more holistic view of liquidity generally. He said: “Flexibility is needed.”

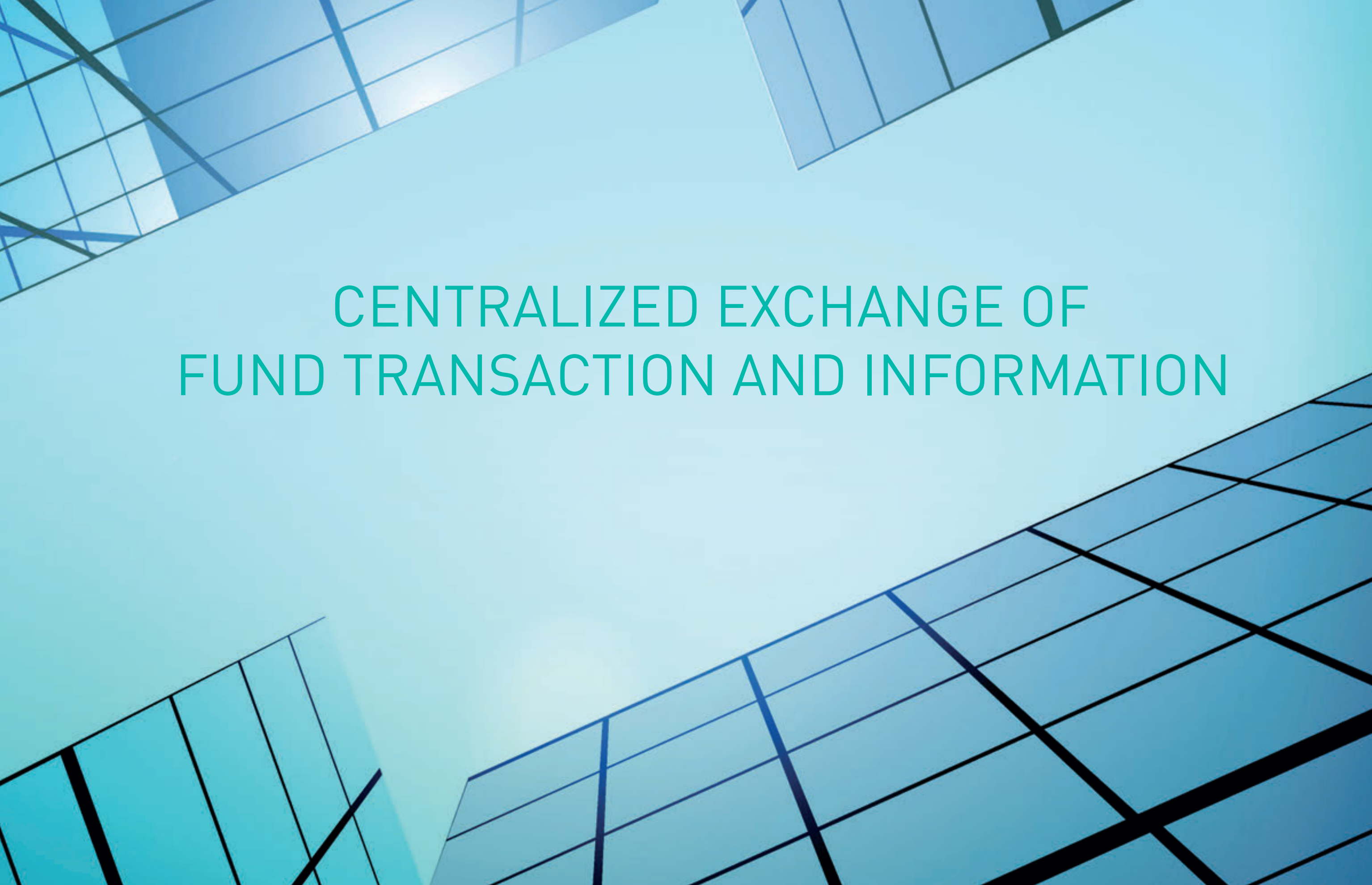
Finally, the panel addressed due diligence processes for liquid alternative products, with moderator Henry Kelly of KellyConsult calling due diligence a “sub-industry” in itself.

Manfred Schraepler, managing director and business unit head for financial assets and liquid private markets at Aquila Capital, said: “Due diligence should actually come before anything else.”

He specified that this should be taken in to consideration before targeting investors or getting independent managers on board, and pointed out that it is crucial to understand the product being sold and the target market first.

Brian McMahon, managing director of BNY Mellon in Luxembourg built on this, suggesting that, with the amount of cash flowing into liquid alternatives, “we need to be a little bit mindful of it”.

McMahon suggested that due diligence should also extend to clients, making sure that they have “the appropriate processes, skills and procedures” in place to be able to manage the product they are being sold. **AST**


CENTRALIZED EXCHANGE OF
FUND TRANSACTION AND INFORMATION

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

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, and 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).

New faces at MYRIAD, MUFG, SocGen and more

Industry heavyweight **Mark Davies** has joined MYRIAD Group Technologies as a senior sales and marketing consultant.

Having started his new role in April, Davies will focus on the undertaking and delivery of product development and marketing projects for both existing and potential products.

He was previously a business consultant on a prime brokerage project for Credit Suisse, and he spent six years as head of investors and intermediaries at Standard Chartered Bank.

Before this, he was head of custody and clearing for Europe at HSBC, a position he held for more than nine years.

Societe Generale has created a new digital office within its global banking and investor solutions division and appointed **Alain Fischer** to run it as chief digital officer.

In the newly-created position, Fischer will be responsible for defining digital strategy and for encouraging the use of digital solutions in global banking and investor solutions. He will report to Didier Valet, head of global banking and investor solutions.

Alain Fischer will head up the new Societe Generale digital office. He has been with the firm since 2007

Fischer has been at Societe Generale since 2007, when he joined the corporate and investment banking cash equity team as global head of projects and organisation. He later became global head of operations and technology for the research and strategy department, and in 2013, he was made head of e-business for global markets.

The new digital office will coordinate on products related to digital transformation, contribute to investment strategy in working with external platforms, and promote consistency in digital initiatives.

Valet said: "Digital technology is impacting the way we interact with clients and serve them, providing a world of opportunities to innovate while deeply transforming our businesses. In order to bring more value to our clients and maintain our competitiveness, we are accelerating our digital transformation to be more agile in a changing environment."

Fischer said. "The digital office will enable us to go further in simplifying our architecture and tools and delivering customised web services with unique access points and optimised interfaces to all users."

"With these key principles, we will enhance the user experience and deliver innovative tailored services to our clients while monitoring technological developments which could support the transformation of our businesses."

MUFG Investor Services has hired **Daniel Trentacosta** as a sales director.

Trentacosta will be responsible for driving business development in North America, specifically for asset servicing solutions for hedge funds, funds of funds, and private equity and real estate funds.

He will report to John Sergides, managing director and global head of business development and marketing, and will be based in New York.

Trentacosta joins from Och-Ziff Capital Management Group, where he was head of the treasury operations team. Before this, he worked at Morgan Stanley, where he held various senior roles in prime brokerage sales and relationship management.

Sergides said: "We are excited to have Daniel Trentacosta on board at an important time in our growth. His experience in the alternative investment industry will be invaluable in driving the business forward."

The appointment follows a spate of new hires at MUFG Investor Services. Earlier in April, Michael McCabe joined as a sales director, from BNY Mellon's Alternative Investment Services business.

Mark Catalano joined from Atlas Fund Services in February, as executive director of business development.

Sergides said: "We will continue to recruit talented individuals with the expertise to develop the industry leading solutions our clients need now and in the future."

Wilmington Trust has hired **Scott Linden** as product leader for the collateral management business within its global capital markets division.

Linden will oversee collateral management as part of the institutional custody business. He will be responsible for administration of the business, as well as product development and growth.

According to Wilmington, Linden will be preparing the trust for compliance with new regulations coming into force in the next 12 months.

He will also launch an outsourcing product covering margin functionality across products, which will be aimed at clients experiencing significant growth in volumes.

Prior to joining Wilmington Trust, Linden was director of collateral management consulting at Perficient. Before this, he worked at BNY Mellon as collateral management product manager.

Amy Stengel, managing director of institutional administrative services at Wilmington Trust, commented: "We are thrilled to add Scott Linden to our team."

Scott Linden joins Wilmington Trust from Perficient, and will launch a new margin functionality product

She added: "Scott Linden's expertise will help position Wilmington Trust to be very competitive in the collateral management space, particularly as the financial markets prepare for the upcoming regulations for derivatives transactions."

SmartStream Technologies has hired **Ben Pielow** as sales director for the UK and Ireland.

In his new role, Pielow will focus on providing transaction lifecycle management to clients in the UK and Ireland, as well as the SmartStream Reference Data Utility suite of solutions.

He will be located in London and will report to Claudia Thurner, head of sales for Europe.

Pielow brings seven years of experience in financial technology and software to the role. He joins from Duco, where he served as business development manager.

Thurner said: "We are pleased to have Pielow working with us to meet growing customers' needs in the region."

Joing SmartStream as sales director for the UK and Ireland, **Ben Pielow** will be based in London

"His knowledge and familiarity with the industry, combined with his enthusiasm and determination, is a winning strategy for our business."

Swiss financial technology provider Qumram has expanded its presence with the opening of new offices in London and San Francisco.

It has also appointed **Nicola Cowburn** as chief marketing officer.

Based in London, Cowburn will be responsible for leading the firm's brand strategy and executing go-to-market plans globally.

She brings more than 25 years of international marketing and financial service experience to the role.

Patrick Barnet, CEO at Qumram, commented: "The opening of regional offices in London and San Francisco, along with the recruitment of a world-class staff, is the logical next step in our expansion."

Founded in 2011, Qumram provides fully-compliant multi-channel recording, e-discovery, and web archival solutions.

EquiLend has appointed **James Moroney** as director and trading product specialist.

Moroney, who will be based in New York, will liaise with clients and work on the continued rollout of the Next Generation Trading (NGT) platform. He joins from State Street, where he was head of North American equities trading in the bank's securities lending business.

Moroney said: "I have been an EquiLend user for many years and am intimately familiar with the efficiency and benefits of its broad service offering as the leading provider of securities finance technology."

"I am very excited to join EquiLend and help bring NGT, which is truly transforming the way securities finance industry trades, to the global marketplace." **AST**

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