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EC unveils PRIIPs RTS amendments

The European Commission has released the updated regulatory technical standards (RTS) for the Regulation on Packaged Retail and Insurance-based Investment Products (PRIIPs), responding to concerns from the European Parliament.

According to European Commission spokesperson Vanessa Mock, the PRIIPs commission-delegated regulation is intended to address concerns around "reducing red tape, while preserving high standards of consumer protection".

Changes to the RTS address the rules on multi-option products (MOPs), performance scenarios, comprehension alert, and benefits and costs.

For MOPs, there is no longer a need to provide PRIIPs-like information for underlying options on UCITS. Rather, MOPs will be allowed to use UCITS KIDs to inform about their UCITS investment options.

Mock went on to add: "We grant explicit concessions to hybrid MOPs to ease the aggregation of information stemming from different methodologies."

The commission has maintained the methodology of its three performance stress scenarios, which was initially rejected. However, it has added an additional mandatory scenario to reflect stressed market conditions.

With regards to comprehension alert notices, the commission proposed that, for any product considered 'complex' under the second Markets in Financial Instruments Directive (MiFID II) or the Insurance Distribution Directive, a comprehension alert should be included in the PRIIPs KID.

Finally, the benefits and costs of insurance products will be fully disclosed in the 'What is the product?' section of the KID.

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Political uncertainty poses threat to CMU success, says Clearstream

Strained political relations in the EU has put the harmonisation efforts of Europe's financial markets, such as the European Central Bank's Target2-Securities (T2S) settlement platform, under "severe stress", according to Clearstream.

"In order to fully harness the potential and wider benefits of such developments, we need to clear away some serious obstacles on the path to a capital markets union in Europe," said Marc Robert-Nicoud, CEO of Clearstream, which migrated to T2S in February.

"Further alignment will be necessary of the various European regulatory initiatives with the objectives of market integration initiatives such as T2S."

In a note to clients, the Deutsche Börse subsidiary said: "Nationalistic tendencies as well as the looming Brexit are subjecting the capital markets union project to severe stress. Against the current political backdrop, it is key for policy makers and stakeholders to focus on the execution of capital markets union objectives."

Despite this, T2S, which is currently heading towards its final wave of implementation later this year, "works perfectly", but it's yet to achieve its ultimate goal.

Robert-Nicoud said: "The technical integration of the European settlement systems can only be a first step."

"Now, the integration on market level has to follow lead. This is the only way how T2S can live up to its original promise: to make cross-border settlement easier and more efficient for market participants."

Clearstream's successful migration to T2S means the platform now has more than 80 percent of its expected volume.

The T2S project is scheduled to be completed with a final wave in September 2017.

EC unveils PRIIPs RTS amendments

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The revisions follow the European Parliament's economic and monetary committee's rejection of the PRIIPs KID proposal in September, when it voted to send the proposals back to the commission for revision.

Members of the European Parliament on the committee cited concerns around the method of creating the KID. Committee member Sven Giegold suggested at the time that the original formula proposed for the KID could potentially make products seem like they would perform better than they are actually likely to.

He said: "People must know when they take a risk, but this information is misleading."

The European Commission subsequently bowed to pressure and agreed to delay implementation of PRIIPs for 12 months, following recommendation from the European Council. The delay means issuers and distributors of PRIIPs products now have until 1 January 2018 to comply with the regulation.

Mock said: "With these changes, the commission is able to meet our goal of ensuring that consumers will easily be able to compare different PRIIPs. We have also sought to maintain a level playing field between different sectors of the financial industry."

She added: "The commission has done its utmost to speed up the process so as to provide our stakeholders with as much legal certainty and time as possible. We trust that the European Parliament and the Council can now rapidly finalise the legislative process."

Regulatory data exchange platform Silverfinch welcomed the announcement.

Managing director John Dowdall said: "The new PRIIPs template will allow transfer of UCITS Key Investor Information Document data in the same format as PRIIPs. Insurers can now easily signpost any UCITS-compliant fund that is sold through a PRIIPs-relevant wrapper using the same data fields as for PRIIPs products. This simultaneous data exchange cuts the need for a two-stage implementation that had previously been envisaged."

Dowdall added: "The onus now lies with those selling PRIIPs products to reach out to their asset managers and ask to receive the relevant data in the European PRIIPs Template format now to allow adequate time for system tests before the January 2018 introduction."

Phil Lynch, global head of markets, products and strategy at SIX Financial Information, also welcomed clarity on the "pressing issues" of how performance scenarios should be calculated and the use of comprehension alerts.

However, he added: "While this revised RTS may ease previous concerns about investor protection, some heavy regulatory lifting will be required to implement the changes."

Lynch said: "Most importantly, the commission's announcement underlines the extent to which PRIIPs overlaps with MiFID II and should prompt firms to consider how to align their investor protection compliance projects."

"On the one hand, the European Commission has established a common definition around instrument complexity, a step towards aligning PRIIPs with MiFID II."

"On the other, question marks still remain over the issue of updating frequency, which is critical to MiFID II target market assessment as well as to PRIIPs KID generation and distribution. Firms that embrace a strategic approach to investor protection and align their compliance efforts will therefore be well placed to react to further updates on these topics."

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Standard Life and Aberdeen agree £11 billion merger

Standard Life and Aberdeen Asset Management (AM) are set to create the UK's largest asset manager, agreeing terms for an £11 billion merger.

The deal, subject to a number of conditions including shareholder approval, will create a combined group with £660 billion of assets under administration globally. This will make the group the largest active investment manager in the UK and the second-largest in Europe.

The combined group will be headquartered in Scotland, and will eventually be re-branded to incorporate the names of both entities. The deal is expected to be closed in Q3 2017.

After completion of the merger, Standard Life shareholders will own 66.7 percent of the group, while Aberdeen AM's shareholders will own approximately 33.3 percent.

Aberdeen Asset Management is currently valued at around £3.8 billion, and Standard Life is reportedly valued at about £7.5 billion.

On completion of the merger, Gerry Grimstone, chairman of Standard Life, will become chairman of the board of the group. Simon Troughton, chairman of Aberdeen, will be his deputy. It is expected the board will have equal representation.

Keith Skeoch, CEO of Standard Life, and Martin Gilbert, CEO of Aberdeen, will become co-CEOs of the group.

Skeoch said: "We have always been clear that it is Standard Life's ambition to become a world-class investment company and that this would be achieved through continued investment in diversification and growth, coupled with a sharp focus on financial discipline. We are therefore delighted that this announcement marks another important step towards achieving that ambition."

He added: "The combination of our businesses will create a formidable player in the active asset management industry globally. We strongly believe that we can build on the strength of the existing Standard Life business by combining with Aberdeen to create one of the largest active investment managers in the world and deliver significant value for all of our stakeholders."

Gilbert said: "We believe this merger is excellent for our clients, bringing together the strong and highly complementary investment capabilities of each firm with a breadth and depth of talent unrivalled amongst UK active managers and positioning the business to meet the evolving needs of clients and customers. This merger brings financial strength, diversity of customer base and global reach to ensure that the enlarged business can compete effectively on the global stage."

New TAG team to focus on standards

The International Standards Organisation and the Financial Services Committee have formed a new global committee, focused on driving technology and data standards in financial services.

The Fintech Technical Advisory Group (TAG) is intended to provide a proactive dialogue between financial institutions, regulators, the supply chain and financial technology companies, with a focus on driving standards for secure global commerce.

It will act as an advisory entity, providing a platform for dialogue on the growing need for data and technology standards.

The group will promote the adoption and implementation of consistent standards, and address common issues.

It will also encourage open-minded communication and sharing of information around financial services standards.

The Fintech TAG will be co-chaired by Stephan Wolf, CEO of the Global Legal Entity Identifier Foundation, and Nick Cliff, head of emerging technology at the Australian Payments Clearing Association.

PJ Di Giammarino, CEO of JWG-IT Group, will act as secretary of the group.

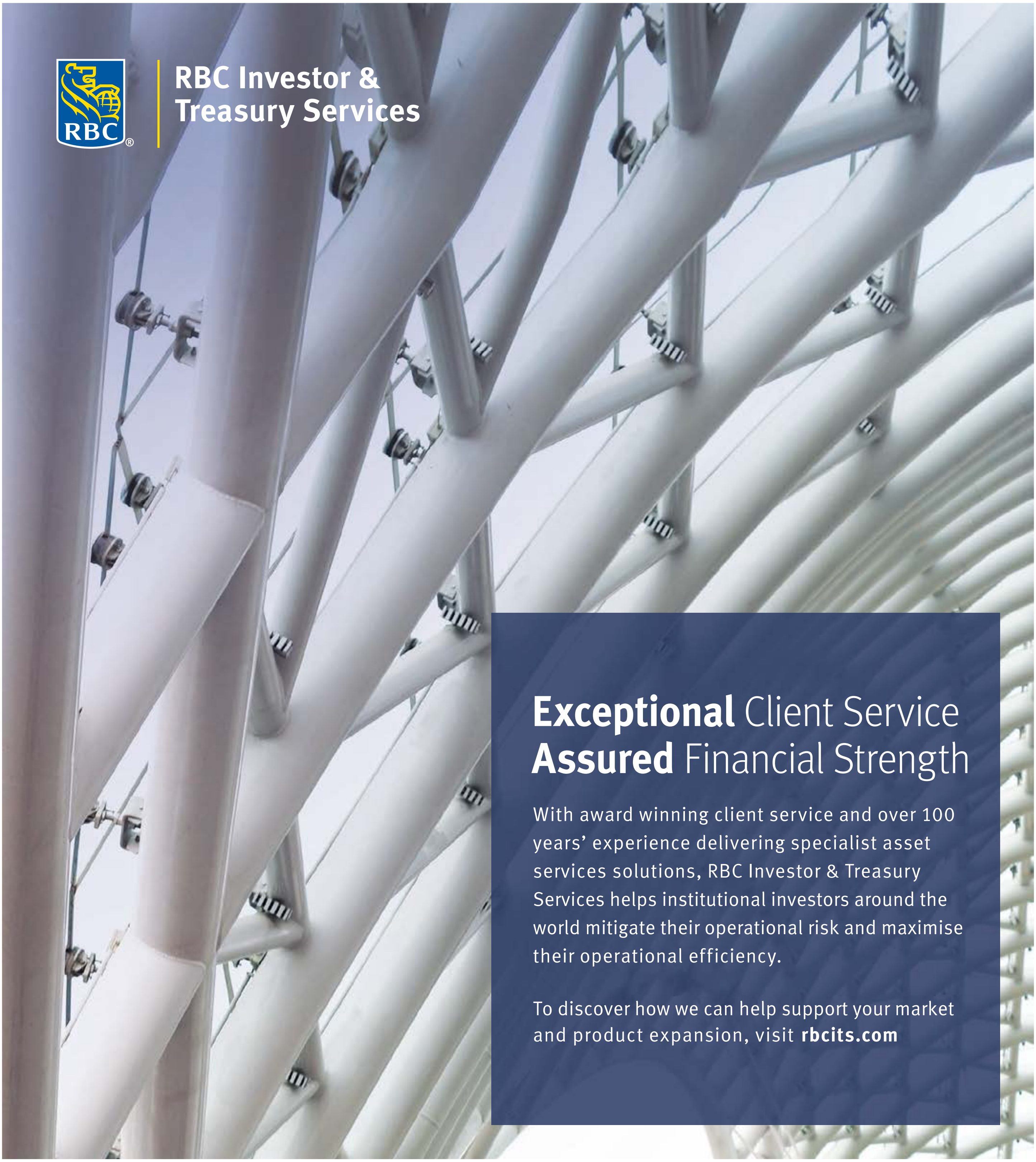
In a joint statement, Wolf and Cliff commented: "We look forward to helping the industry take this huge step forward as we provide the platform for the collaboration of internationally-renowned experts in innovative areas such as identity solutions and exchange of regulatory data."

Di Giammarino added: "At this important juncture where public and private sectors realise the importance of common standards for business as well as regulation, I'm delighted to be able to support this global initiative of top experts."

NEX launches new platform

NEX Optimisation is bringing its suite of regulatory reporting services under a single umbrella with the launch of its NEX Regulatory Reporting solution.

The solution is intended to provide a resilient, multi-jurisdictional, cross-asset product for managing evolving reporting challenges under the second Markets in Financial Instruments Directive (MiFID II), the European Market Infrastructure Regulation (EMIR) and other international regulatory initiatives. It will include analysis of each client's reporting



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NEX Regulatory Reporting is designed to offer transparency into the transaction lifecycle process, improve speed of reporting and provide insights into underlying data quality

Powered by Abide Financial, an NEX Group business, the solution will be led by Abide CEO Collin Coleman.

Coleman said: “We are delighted to introduce this powerful platform to the industry. Clients will benefit from seamless processing of large data volumes under multiple regulatory regimes and transparent delivery of final reports to regulators via a suite of in-house regulatory end points.”

“We will also continue to deliver the high level of service which our clients recognise us for.”

Jenny Knott, CEO of NEX Optimisation, added: “We are proud to launch NEX Regulatory Reporting as a key component of our suite of services to help our clients meet the challenges of new regulation.”

Abide has been an approved reporting mechanism (ARM) under MiFID I since 2011. It has also applied to be an ARM and an approved publication arrangement provider under MiFID II.

It is a registered reporting mechanism under the Regulation of Wholesale Energy Market Integrity and Transparency, aggregates reports for EMIR, and runs Asian derivatives reporting to the Australian Securities and Investments Commission and the Monetary Authority of Singapore.

Abide has also filed to become a trade repository for EMIR, and is expecting to be granted approval in 2017.

FINMA approves first derivatives trade repository

SIX Securities Services has received approval from the Swiss Financial Market Supervisory Authority (FINMA) to officially launch its Swiss derivatives trade repository, subject to certain conditions.

The SIX Trade Repository is the first of its kind to launch in Switzerland. Its approval will prompt implementation of the Swiss Financial Market Infrastructure Act (FMIA) derivatives transaction reporting requirements, which are set to come into effect six months after the launch of the first eligible derivatives trade repository.

SIX’s repository has been in testing with 50 financial institutions, hedge fund managers and traditional fund managers since January 2016. FINMA approval means clients will soon be able to start formally onboarding to the repository.

The conditions have not been disclosed, however according to a SIX spokesperson they are not prohibitive to the approval. Once they have been fulfilled, FINMA will disclose its final deadline for compliance with the FMIA derivatives transaction reporting requirements.

The new derivatives trade repository is expected to go live by Q3 2017.

Thomas Zeeb, division CEO of SIX Securities Services, said: “Our focus as a provider of market infrastructure services is to manage and mitigate the burden of regulatory compliance through offering relevant and reliable services to our clients. Our trade repository for Switzerland is designed to do just this and we now look forward to working with our customers to bring them on board over the coming months.”

FCA and JFSA agree partnership

Financial regulators in Japan and the UK have agreed on a cooperation framework to support financial technology companies entering each market.

The UK Financial Conduct Authority (FCA) and the Financial Services Agency of Japan (JFSA) exchanged letters outlining a regulatory referral system for innovator businesses.

Japanese businesses will be referred by the JFSA to the FCA, and the latter will provide

Irish fund admins warned to buck up on outsourcing

The Central Bank of Ireland has urged fund administrators that outsource part of their fund administration activities to be cautious, following a review of outsourcing arrangements in relation to operational risk.

The review was carried out in the first half of 2016, and a second review, focused on outsourcing across all financial sectors, is ongoing.

In a letter to the fund administration industry, the central bank revealed some of the findings of the review of outsourcing arrangements of fund administrators and outlined its recommendations for best practice.

The review found that between 48 and 61 percent of administrators' activity is carried out by full-time equivalents at outsourcing service providers, as of 31 December 2015.

On average, firms outsourced to 10 locations and primarily to other group entities. Reviewed firms were found to generally be subject to concentration exposure to one or more outsourced locations.

The letter said: "The level of outsourcing observed in this review is likely to be at or close to the outer limit of what is appropriate for this industry. In this regard, the central bank is undertaking a review of outsourcing across all financial sectors."

In its letter, the central bank noted that, while outsourcing business processes can help to improve efficiency and reduce costs, it also brings challenges as firms remain responsible under the Requirements on Outsourcing of Administration Activities in Relation of Investment Funds.

It added that these risks can be managed through effective oversight and governance, but expressed concern that many firms do not have this in place, with many failing to properly maintain outsourcing records.

Further, the majority of the firms reviewed were found to have no tolerance level in place with regards to how much outsourcing is permitted, and many of the outsourcing providers were found to be either not regulated at all, or not regulated in the same way as Irish fund administrators.

Michael Hodson, director of asset management supervision at the Central Bank of Ireland, said: "This review found that outsourcing in larger fund administrators is extensive and continues to grow."

"Certain good governance arrangements, where firms were adequately managing risks in relation to outsourcing were observed, but some weaknesses in the oversight of service providers remain."

"Fund administrators should review the examples of good practice outlined in the central bank's letter. The information provided aims to support the development of consistent industry practices to assist in ensuring compliance by firms with the outsourcing requirements."

The central bank advised that firms should ensure their compliance monitoring programmes are conducted in compliance with the regulatory obligations, and that compliance risk should periodically reviewed.

The board of a firm should also be given all the necessary information regarding regulatory risks of outsourcing arrangements.

Fund administrators should review both sides of the outsourcing agreement, and make sure it has compliance resources at the location of the service provider.

They should conduct 12-month reports on outsourcing arrangements, and these reports should be "sufficiently detailed" to confirm regulatory compliance.

Internal audits should, at a minimum, ensure that the service provider relationship is aligned with the firm's business strategy; identify, manage and report all risks; respond to breaches or disruptions; and ensure the appropriate staff is in place to perform due diligence and monitoring of service providers.

Firms should review their processes for identifying and managing concentration risks that may arise from relying on a single third party for multiple activities.

Finally, clients should be notified of any outsourcing agreements, with proof of this made available to the central bank.

CACEIS to facilitate bitcoin fund investment

Depository and transfer agent CACEIS is partnering with Bitstamp to allow fund promoters to accept bitcoin investments into funds.

Bitstamp, the EU's only licensed bitcoin exchange, will allow both retail and corporate clients to invest using bitcoin in a regulated environment.

In Q2 2017, when the new service goes live, promoters working with CACEIS will be able to process fund subscriptions and redemptions in bitcoin, providing an opportunity to source new capital inflows.

Bitstamp CEO Nejc Kodrič, said: "The Bitcoin industry is expanding not only geographically, but also in terms of its user base, which is why we are now seeing so many developments in the corporate investment space."

He added: "Bitstamp's first partnership with a market leading asset servicing bank like CACEIS means bitcoin investments can now be made within a fully licensed and regulated framework."

Joe Saliba, deputy CEO of CACEIS, said: "Fund promoters are constantly seeking new sources of investment capital and by interfacing them with a regulated bitcoin exchange we are supporting their business development objectives."

"As a digital currency, bitcoin is already having a significant impact on the financial world and we have a strong conviction that this could increase as more fund promoters accept investment in bitcoin."

support with launching operations in the UK—and vice versa.

The scheme is intended to reduce regulatory uncertainty, and help cut time-to-market for fintech businesses.

The two regulators will also share information on financial services innovation in their respective markets, in order to reduce barriers to entry and further encourage innovation in both countries.

Shunsuke Shirakawa, vice commissioner for international affairs at the JFSA, said: "This is our first case in creating a pro-fintech cooperation framework with any other countries."

"The UK is one of the world-leading fintech countries, generating £6.6 billion in revenue."

"We believe that this exchange of letters strengthens the relationship between the JFSA and the FCA and promotes innovation in our respective markets."

The agreement follows a similar partnership between the FCA and the Ontario Securities Commission, announced in February, which saw the two regulators agree to support fintech start-ups entering each market.

Christopher Woolard, executive director of strategy and competition at the FCA, said: "We are committed to encouraging innovation that has the potential to be of benefit to consumers using financial services here in the UK."

"Today's exchange of letters with the JFSA will help break down barriers to entry both in Japan and in the UK for firms with interesting new business services and products."

SIX unveils DLT bond solution

SIX Securities Services has created a distributed ledger technology (DLT) solution to cover the entire bond lifecycle, from issuance to settlement, in partnership with Digital Asset Holdings.

The solution allows for the issuing of bonds as smart contracts, which specify the dates that coupon payments are made, how and when repayments are made, and the payment amounts. Smart contracts will be connected to a chain, allowing buyers to allocate funds to a bond by paying in digitised currency to the address of the bond.

SIX Securities Services partnered with Digital Asset Holdings in September 2016 in a bid to deliver DLT solutions to the Swiss financial market, and the prototype model was presented on 16 March.

Proof of concept affirms blockchain as reporting tool

Irish Funds and Deloitte have completed their proof of concept for a platform using blockchain technology for regulatory reporting.

Working in collaboration with other participants from asset servicing and fund management institutions, Irish Funds and Deloitte explored new reporting methods.

Through RegChain, they measured the benefits of blockchain technology for improving transparency, and of managing reporting through smart contracts.

The project focused on resident investment fund returns under the Money Market and Investment Funds (MMIF) return reporting, creating a reporting platform designed to be accessible to both regulators and reporting entities.

It found blockchain to be a secure way of storing data and improving data quality and integrity, and that it can increase efficiency for regulatory reporting.

It can also provide a safe network for data sharing and help provide rich data for analytics, while also maintaining in-built disaster recovery capabilities.

Blockchain could also aid the general overall management of regulatory change requests, as changes can be coded once on a platform and shared across the whole network, meaning each individual solution is not implementing the same change.

Irish Funds and Deloitte noted that RegChain could be adapted for other regulatory reports.

They advised that new solutions must take note of current industry requirements and should cater to the various needs of the operations world if they are going to succeed in the long term.

Irish Funds CEO Pat Lardner commented: "The successful completion of this project is an important first step in demonstrating the power of blockchain for regulatory reporting and industry collaboration around innovation. This foundation will enable additional development and progress to be made with other key stakeholders and confirms Ireland's place as a leading location for fintech globally."

David Dalton, head of financial services at Deloitte Ireland and sponsor of Deloitte's Europe, Middle East and Africa Grid Blockchain Hub, added: "Deloitte is delighted with the progress made by the collaboration with Irish Funds and funds industry participants."

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Stephanie Palmer reports

SELL SIDE STORY

As the capital markets have changed, so too has the relationship between the buy and sell sides. Mark John of BNY Mellon's Pershing explains

Pershing recently released its capital markets technology paper, in conjunction with Aite Group, examining the relationship between the buy and sell side in the current market. How has the environment these firms are operating in changed?

If you go back about five years, there was a real sense of what buy-side firms wanted to get out of their service providers on the sell side. People got quite emotionally charged about this, and there was increasing frustration from buy-side participants that weren't getting what they wanted.

We have monitored the buy- and sell-side agendas, and the two worlds have started to move in independent directions, but they still cross over at so many different touch points. It is becoming clear that, given the state of regulation, technology, the market, volumes and demands, there is a lot more pressure on the buy side, which leads to the buy side putting pressure on the sell side.

Those on the sell side are very capable at providing their services, but they have their own challenges in the face of regulation. In order for the sell-side to keep its house in order, it has to prioritise staying compliant. There is a finite amount of resources and capability, and while there is a huge amount of demand from the buy side, prioritisation means that this demand isn't necessarily being met, and the buy side remains frustrated.

At the same time, the buy side is starting to develop into a more mature part of the market, taking more control and doing things itself without the support structures previously required from the sell side. We have seen a lot more buy-side firms taking control of their execution capabilities for example, and more client-to-client business and venues emerging where transaction liquidity can be traded. This almost disintermediates the sell side as a liquidity provider.

However, accessing these parts of the market carries obligation. It's technically complicated, with more infrastructure in terms of the middle and back office, and things that were traditionally provided by the sell side and sold as a package service to the buy side will have to be provided in house. That level of sophistication is not there at the moment.

There is a clash of priorities, here. The buy side has historically led the market in outsourcing parts of its non-core functionality, however the next stage of evolution for them is to start providing these services for themselves. We are at a crossroads, and the paper highlights that conversation.

The paper states: "Compliance puts the brakes on innovation." How?

Buy- and sell-side firms want to provide solutions for sophisticated audiences, generate more revenue opportunities and improve their service. All of this falls under the banner of innovation.

This is being stifled at the moment because in order for those firms to move to the next level they need to make sure they get the current level right. That means keeping up with the trend of changing regulation and getting ready for the second Markets in Financial

Instruments Directive, the capital markets union, the European Market Infrastructure Regulation, and all of the reporting that goes with them.

That is where the industry is stuck right now. We haven't come out of this chapter yet, and we have not yet quite delivered on all of the market regulation to become compliant under the new regime. The industry is struggling to get to innovation until we have sorted out this alphabet soup of regulation we have to get through.

Hasn't the regulatory environment encouraged innovation as well?

This is forced innovation. If we look at technology as a whole, and bear in mind that regulatory technology is one part of that, technology in this space has advanced at a snail's pace over the years, both on the buy and sell side.

Some of the core processing systems in use today have been running for well over 20 years. Previously those systems may have been upgraded once every few years but they can't cope with the pace of change that is required now—the financial services industry has been hit with a tidal wave of change, and the technology is certainly feeling the strain.

Regtech was a necessary outcome of that, because these changes cannot be made on a manual basis. The level of automation, control and governance that needs to be employed in order to deliver a compliant service requires technology. Regtech and forced innovation go hand in hand.

How do big data and analytics fit alongside data protection regulation?

Big data is the product of all the information we are creating, and we are dealing with so much more information than we ever have before.

Anything and everything we do in the industry has to be transparent and efficient. The depths of information you must analyse and process in order to achieve that level of transparency are immense. Any data has to be protected. But when you have huge amounts of data, while the fundamentals don't change, the complexity of protecting such a volume of data does.

One challenge is that data privacy laws differ depending on the jurisdiction. We are seeing some alignment under the EU's General Data Protection Regulation (GDPR), and it would help if rules were to increasingly converge on a global basis. Many buy- and sell-side firms operate cross-border, and have to understand the rules of every jurisdiction they are in, stay on top of any changes, and know how the rules apply to them.

Another point is that while firms are creating and storing all of this data, are they going to use it to try to better understand their clients and help them make decisions? There is some discrepancy between what firms have to do and what they could be doing, given the time and the resources to focus on their data rather than on the regulation. Again, resources are diverted from where they could be best used.

How are firms managing the costs of all these challenges?

All of this comes at a cost. Policing your own service, providing greater transparency, greater systems, greater controls, greater governance, plus the information that needs to be captured, monitored and reported on, all brings increased costs.

This is against a backdrop of volumes in the market that are going down, or at least remaining at historic lows, and so the opportunity to generate revenues and offset those costs through a highly lit, high-volume market just isn't there. There's an imbalance here.

I don't think this can be addressed other than by creating, or trying to create, new ways of generating liquidity, and that is where the buy-side firms are trying to gain more control for themselves. If the buy side is able to generate access to liquidity on a buy side-to-buy side basis, that's a way to stay in the game, as it could be much more efficient.

Again, however, this is new, and so it requires innovation, which requires cost. It becomes a vicious circle.

Between regulatory and cost challenges, and the shifting roles of the buy and sell sides, who do you anticipate will emerge victorious?

If a sell-side firm sees an opportunity to invest heavily in increasing the quality of the complex services the buy side requires, then that is a viable route it could take—providing a service above and beyond what is needed for regulatory compliance.

On the other hand, if a sell-side firm chooses not to do anything, then there is an opportunity for smart, sophisticated and innovative buy-side firms to step in.

Buy-side firms are not created equal. There are those that develop and invest in their future infrastructure and there are those that do not. Those that don't innovate internally will likely find themselves trying to access a much smaller pool of sell-side liquidity. Buy-side firms will either pay out more money to invest in their own infrastructures or end up paying more for services they're already getting, as those services become more commoditised and specialist.

We will see a changing landscape with some restructuring, refocusing and reprioritising, and there will be winners and losers on both sides. **AST**

The depths of information firms must analyse and process in order to achieve the required level of transparency are immense

Mark John
Head of product and business development for Europe, the Middle East and Africa
Pershing, a BNY Mellon company

Dawn of the data

Asset managers are increasingly relying on data, and the service providers that can manage it, heard attendees at London's TSAM conference

The increasing role that technology and data management have to play in asset servicing was a major talking point at The Summit for Asset Managers in London.

An early session at the one-day event explored the changing nature of what asset managers seek from their service providers. One speaker, representing such a service provider, noted that managers are under pressure to achieve more with less resources, faced with more demand from their clients and under more regulatory constraints.

This environment is driving a move towards consolidating systems, allowing managers to be more cost-effective and to focus on their core business.

One speaker, Chris John of Broadridge, said the biggest trend in asset management is to get rid of "repetitive" functions.

He said: "If it's not differentiated, get rid of it and give it to a proven technology and solutions provider with a proven record."

An asset management representative on the panel agreed with this, saying managers need to focus on what differentiates the firm as an asset manager--outsourcing tasks that need to be done, but don't necessarily add value.

Another noted that asset managers must put effort into "collaboration between different groups" within the business, noting that changes don't add value if they're implemented in siloes.

John went on to reference Broadridge's Revport solution, suggesting that, going back eight years or so, some 95 percent of its deals were for the technology, which clients installed for themselves.

Now, 95 percent of the time is is the other way around, with Broadridge hosting the solution. This is reflective of the transformation that is underway in the asset management industry, he said.

Broadridge, John said, is seeing a shift towards more reliance on service providers to help asset managers grow, and to add value through infrastructure, technology and business-specific expertise.

An asset manager panelist added that his business was born out of a series of boutiques, and is now a global organisation with a "huge amount of complexity, oversight and cost".

Bundling services to one provider, globally, could significantly improve costs and efficiency, and is a big initiative within the firm. He added, however, that IT teams are focusing on this as well as other initiatives, and need to prioritise their projects.

Another session also addressed the function of IT departments within asset managers, with speakers suggesting that this part of the business may see sweeping changes over the next 10 years.

One speaker, who represented a portfolio analysis company, said future IT departments will focus more on third-party technology management, with a shift towards external providers.

He suggested that asset managers would rather partner with third parties that focus purely on analytics and systems, rather than build their own. As a result, IT departments will shrink over the next 10 years.

"It's a big shift in those skillsets, it doesn't mean they won't exist, but just in a very different capacity. It's no longer their business to run technology," he said.

The internal IT department's role will shift from building and managing the systems to managing those partners, the speaker said.

He added that asset managers would rather focus on alpha, instead of worrying about upgrading "legacy" systems.

Regulatory reporting was also highlighted as a major challenge in the financial services sector. In a presentation, Gillian Boston, head

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> *Asset managers should have a clear definition between the middle- and back-office data and the front-office analytical data, which is less mission-critical*

of business consulting at AutoRek, a provider of automated financial controls and regulatory reporting solutions, said: "There is no doubt that within the financial services sector as a whole the speed of change and increase in complexity is high on the agenda."

There will be major changes to regulatory reporting under the Markets in Financial Instruments Directive II and associated Regulation, the Common Reporting Standard and the Regulation on Packaged Retail and Insurance-based Investment Products, Boston said.

One common theme underpinning regulatory challenges is data, and the importance for organisations to be able to demonstrate that they manage, control and understand their data.

"Organisations have to have transparency of data, good governance and comprehensive audit trails in place to prove they are in control."

She also highlighted the siloed nature of many legacy organisations, with multiple different systems and different data feeds in different formats. Organisations may well be faced with manual processes and, as volumes grow, this can lead to "the perception that regulation is an increasing burden".

Boston said: "There is now not just a real need, but a real desire by firms to automate their reporting regimes, fuelled not just by the complexity and speed of change of regulations, but also by the increased interrogation from external auditors as well as regulators."

She added: "Regulatory reporting submissions are only as good as the data they contain."

Ongoing maintenance is required for companies to have full confidence in their regulatory submissions, linking processes, controls, roles and responsibilities and risks, and underpinning data with robust and automated regimes.

"This will give you confidence in your regulatory reporting and ongoing compliance," Boston said.

In a panel in the data management stream of the conference, attendees heard that efficient data management in financial institutions is a cultural battle that is still being fought.

Data management providers need to ensure that "everyone in the organisation realises that it is something real", one speaker said.

"They have to get beyond the idea that 'this is IT' and think of it more as information science," he said. "This is the biggest cultural shift that we have ever seen."

A big step toward achieving this would be "documenting their processes and putting them in a data framework", and compliance should be a driving force behind this framework.

Such a framework should also consider differences in business lines and even how each department within an organisation operates. "There are some places that really show the benefit of standardisation, but it's still a way off [from being the norm]," one speaker explained.

An afternoon discussion focused on the benefits of data warehousing for asset managers. Audience members were asked: "What is the biggest advantage you gain from a data warehouse?"

A significant majority, 43 percent, answered that the main benefit is increased quality and access to a single version of the data.

Increased utilisation of data within the firm was named as the second-biggest benefit, chosen by 29 percent, while 18 percent noted that a warehouse can provide flexibility to meet new data challenges and 11 percent selected lineage and data governance.

A speaker in the session said that, with regards to data warehouses, often a lot of words are used to describe something that is "not that complicated". He agreed with the audience poll, saying that the main goal is "one truth and one understanding of the data".

If two areas of an organisation are working with the same piece of data, they don't have to waste time making sure their versions match up and potentially reconciling mismatches.

If there is a single source of data that both businesses can access, they can immediately start discussing what they are going to do with it. The speaker also noted challenges in the adoption of 'data lakes', or stores of raw data that are set aside until they are needed.

The main challenge is getting senior management on board, he said, and persuading them to spend money on data—something they perceive that they already have.

Another speaker noted yet another set of challenges that arise from trying to store everything in one place. Asset managers should have a clear definition between the middle- and back-office data and the front-office analytical data, which he called "less mission-critical".

He added that data warehouses should be built to support the business in the future, with capabilities to encompass new products or programmes, and this requires some internal overheads.

While the data in the warehouse should be a 'golden source', the speaker noted that, in the case of a discrepancy, data must be fixed at its source, and not in the warehouse, otherwise the business will end up with inherent quality issues.

He concluded that a data warehouse can provide operational efficiency and flexibility, offering the ability for asset managers to "report off of something that you would inherently want to". AST

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Comings and goings at BNY Mellon, Global Alternatives, Torstone and more

Global Alternatives has appointed Eurex's Brendan Bradley as non-executive chairman, in time for the launch of Prop-X, Global Alternatives's industry-wide property trading exchange.

Bradley is the former chief innovation officer and board member at Eurex, where he was responsible for championing and brokering new ideas and seeking out opportunities in the market. He has over 30 years of experience in financial markets.

The Global Alternatives Prop-X exchange, expected to be launched in Q2 2017, will list securities originated by the Global Alternatives Property Crowd platform, plus private equity and debt issues backed by institutional real assets.

Rohin Modasia, founder and CEO of Global Alternatives, said: "Brendan Bradley has worked in the financial markets space for 30 years and has been at the forefront of new product development, technology and market structure changes. Real estate is the largest of the alternative asset classes and yet still suffers from a lack of liquidity. New approaches to market structure are required to address those concerns so that a broader investor base can comfortably engage with the sector."

Bradley said: "Crowdfunding platforms have mushroomed as investors seek higher returns. Global Alternatives's approach to institutional grade secured lending, with segregated client funds and securities held with independent custodians, is a refreshing race to the top rather than the bottom in terms of credibility."

He added: "Prop-X is a logical extension of Property Crowd, where users can source genuine secondary market liquidity, and allied to this is the concept of a prime broking type infrastructure around the trade which borrows from client protection models that are prevalent in more traditional asset classes."

BNY Mellon has named Paul Farrell as head of sales and relationship management for corporate trust in the Middle East and North Africa, and appointed Dan Watkins as its new head of BNY Mellon Markets in Europe, the Middle East and Africa (EMEA).

Based in Dubai, Farrell will be responsible for developing relationships across BNY Mellon's offices in Abu Dhabi, Beirut, Cairo, Dubai and Istanbul.

He will report to Aidan Canny, managing director of regional markets and investment managers for corporate trust in Europe, the Middle East and Africa (EMEA).

Farrell has worked in BNY Mellon's Corporate Trust business for 10 years, most recently leading the new business implementation team in Dublin, focusing on structured finance and secularisation.

In his new role, he will replace Brian Huey, who has moved to BNY Mellon's global management team, based in London.

Watkins will succeed Richard Gill, who is set to retire this month. Watkins and Gill will work together for a time, in order to ensure a smooth transition.

Watkins will oversee the growth of BNY Mellon Markets as regulatory and market structure changes lead to increased client demand.

Based in London, he will report directly to Michelle Neal, president of BNY Mellon Markets, with regional accountability to Michael Cole-Fontayn, chair of BNY Mellon for EMEA.

Gill has been with BNY Mellon for over 20 years. He has previously served of the Bank of England's Foreign Exchange Joint Standing Committee since 2017, and has sat on the Advisory Council of the Fixed Income, Currencies and Commodities Markets Standards Board since 2015.

Watkins's appointment is subject to approval under the UK Senior Managers and Certification Regime.

Northern Trust has appointed Katharine Morris as head of sales for its UK global fund services business.

Based in London, Morris will manage the investment operations outsourcing, fund administration and other asset servicing solutions available to UK-based investment managers.

She joins from HSBC Securities Services where she was head of UK sales. Before this, she spent ten years at State Street, holding various positions including global relationship manager.

In her new role, Morris will report to Douglas Gee, head of sales for Northern Trust's asset servicing business in EMEA.

Laurence Everitt, head of global fund services for the UK at Northern Trust, said: "[Morris's] experience working with some of the UK's most sophisticated asset managers will be valuable as we continue to grow our global funds services business in the region, working closely with prospective clients to tailor solutions that meet their specific needs."

Pacific Fund Systems (PFS) has appointed Didier Lucotte as cloud services manager, overseeing its PFS-Cloud initiatives.

PFS is set of offer its core PFS-Paxus and PFS-Connect products via a hosted and managed cloud deployment model, with Lucotte managing new and existing client migration.

Lucotte joins with significant experience in cloud-based projects, having previously held the same role at Isle of Man telecoms company Manx Telecom.

In his new role, he will be based in PFS's Isle of Man headquarters.

Lucotte said: "Cloud delivery of PFS products will further allow PFS's clients to focus on their core businesses, reducing overall dependence on internal or third-party IT resources."

"With the number of online software-to-software application program interfaces expected to grow in scale and complexity as the wider software application industry moves to the cloud, I am very pleased to be joining PFS at such an exciting time in the group's development."

Paul Kneen, COO of PFS, said: "Didier Lucotte's wealth of specialist knowledge and experience will greatly benefit the group's planned delivery of PFS-Paxus via the cloud, as a PFS hosted solution, targeted for launch later this year. Didier Lucotte's appointment reflects our continued investment in people and commitment to our business operations."

Torstone Technology is expanding its services in Japan, and appointed Takuro Ochiai as head of its office in the country.

Ochiai joins from Nomura Securities, where he was manager of Japanese domestic wholesale operations for technology. Previously, he was director of the Daiwa Institute of Research, also based in Japan.

Additional senior staff will be transferred to the Japan office to provide local support, and Gordon Russell will become head of the Asia Pacific region.

Russell joined Torstone from Broadridge in March 2016, taking on the role of head of Asia Pacific sales.

Torstone CEO Brian Collings said: "Japan is a core market for us and expanding the team here will enable us to further strengthen our support for clients and their regulatory obligations across Asia." AST

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