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DTCC expands repo clearing services

The Depository Trust & Clearing Corporation's (DTCC) US clients can now leverage additional balance sheet relief by centrally clearing repos.

DTCC has gained approval from the US Securities and Exchange Commission (SEC) to expand its cleared repo services through its Fixed Income Clearing Corporation (FICC) subsidiary to allow institutional investors to participate in the new centrally cleared institutional triparty (CCIT) service.

Investors can also access the services indirectly through a sponsoring member bank.

FICC will now permit additional qualified institutional buyer clients to lend cash and US treasuries via their sponsoring member banks throughout the day.

According to DTCC, CCIT is the only US central counterparty (CCP) platform that clears triparty repo and debt transactions.

As an expansion of the core GCF Repo Service, FICC will extend its CCP services and guaranty of the completion of eligible trades to triparty repo transactions between its dealer members and eligible triparty cash lenders.

Commenting on the SEC's approval, DTCC said that centrally clearing these transactions at FICC offers members opportunities for potential balance sheet netting and capital relief, which, in turn, may afford institutional investors increased lending capacity and income.

"The repo market is a critical source of funding for broker-dealers and an important cash management tool for institutional counterparties," said Murray Pozmanter, DTCC head of clearing agency services.

"We believe the larger group of market participants able to use central clearing through the CCIT Service and sponsored membership program strengthens the entire marketplace."

"We applaud the SEC actions, and look forward to delivering increased central clearing capabilities to our expanded community."

Contents

Saudi stock exchange moves to T+2

Tadawul, the Saudi Arabian stock exchange, has officially moved to a T+2 settlement cycle for listed securities, from its previous T+0 system.

Effective from 23 April, the change means securities of all types and over-the-counter transactions will be settled within two days of the trade execution date.

In a statement, Tadawul announced that all of the necessary pilot phases have been completed successfully, to "ensure full technical and functional readiness and connectivity with market participants".

Tadawul first gained regulatory approval from the Capital Markets Authority of Saudi Arabia to amend the settlement cycle for listed securities in May 2016.

The exchange then published draft rules for public consultation, and later released updated rules.

Amending the settlement cycle is intended to improve asset safety for investors, providing more time for trade verification, and for dealing with errors as and when they arise.

It will unify settlement duration for all types of listed securities, which currently vary, and will align the Saudi stock market with global settlement practices, opening up new opportunities among other market indices.

The move is also part of plans to develop an environment that better supports institutional investments, and to allow for securities lending and borrowing, and short selling in the market.

The date of the move to a T+2 cycle was announced a month in advance, on 23 March.

Ahead of the switch, trading was suspended for any listed securities that previously settled after two business days.

In place on 19 and 20 April, the suspension for these securities was to ensure there were no suspended transactions ahead of the T+2 implementation.

Trading resumed on 23 April.

Euronext launches French funds solution

Euronext is set to launch its new solution making it easier to invest in open-ended funds registered or passported in France.

The Euronext Fund Service will allow institutional and retail investors to place subscription and redemption orders through a broker in a more automated, simplified and cost-effective manner.

It is intended to meet the industry's need for easier access to funds, and to boost the visibility of French funds.

According to Euronext, it will also allow clients to place orders for a wider range of international funds, as they are already able to do with other exchange-tradable products.

The service will launch on 15 May with the participation of a handful of fund managers, including AXA Investment Management and Natixis Asset Management.

Additional asset managers are expected to join in the following weeks.

Stéphane Boujnah, chair and CEO of the managing board at Euronext, said: "We are delighted to launch this new service, which illustrates our flexibility and ability to meet a range of different demands, and we look forward to welcoming asset managers of all sizes from the very start."

"Designed in partnership with the financial community, Euronext Fund Service is an innovative offering that addresses asset managers' needs for more digitalised and automated solutions. It will also help enrich the Euronext community as a whole."

Currently, registered fund agents for the service are BNP Paribas Securities Services, CACEIS, CM-CIC Market Solutions, and Societe Generale Securities Services (SGSS).

SGSS suggested that the service will contribute to the market's efficiency and promote it within the industry as a whole.

Mathilde Guérin, head of product engineering at SGSS, said: "We are convinced of the importance of these initiatives and actively support innovative changes, which highlight both the expertise available on the Paris market and the capacity to adapt its infrastructures in response to market expectations."

She added: "It is also an opportunity to support our asset manager clients in their commercial development through the diversification of their distribution and collection channels."

$33bn REIT mandate for BNY Mellon

BNY Mellon Alternative Investment Services has been selected to provide fund administration for PGIM Real Estate's US real estate funds. The funds represent around $33 billion in net assets under management.

BNY Mellon achieves record-breaking levels of assets under custody

BNY Mellon saw record-breaking levels of assets under custody and/or administration in Q1 2017, reaching a total of $30.6 trillion.

The record high reflects a 5 percent increase on assets under custody and/or administration in Q1 2016, which reached $29.1 trillion, and a 2 percent increase on the figure for Q4 2016, which reached just shy of $30 trillion.

New custody business for Q1 2017 reached a preliminary total of $109 million. Although this is down on the previous quarter, which saw new custody business of $141 million, it is a significant increase on Q1 2016, in which new custody business totalled $40 million.

BNY Mellon also saw an increase in assets under management (AUM) for Q1 2017, ending the quarter with a preliminary balance of $1.73 billion. This is a 5 percent increase on Q4 2016's total of $1.65 billion, and also about a 5 percent increase on Q1 2016, which ended with a total AUM of $1.64 billion.

Asset servicing fees for Q1 2017 reached $1.06 billion, a marginal decrease on the $1.07 billion seen in the previous quarter.

However, this is a 2 percent increase on Q1 2016, which saw asset servicing fees totalling $1.04 billion.

The asset servicing fees include securities lending revenues of $49 million, a decline from the previous quarter's revenue of $54 million, and also a marginal decrease on Q1 2016, which saw securities lending revenue of $50 million.

In total, investment services fees totalled $1.829 billion, a 3 percent increase on $1.774 billion earned in Q4 2016. This is also a 4 percent increase on the total investment services fees recorded in Q1 2016, which totalled $1.765.

According to BNY Mellon, the increases reflect net new business, including growth of its collateral optimisation solutions. The results are also partially attributed to higher money market fees, net new business and higher equity market values.

They are partially offset, however, by the unfavourable impact of a stronger US dollar and the effect of BNY Mellon downsizing its retail UK transfer agency business, the bank said.

Gerald Hassell, chairman and CEO of BNY Mellon, said: "Our performance in the quarter benefited from our investments in capabilities that address growing client demands in areas such as collateral optimisation for both the buy and sell side and middle-office services for asset managers."

"In addition, our overall asset management flows improved to their highest levels since 2014 and assets under custody and/or administration hit a record level."

He added: "The progress we are making in digitising our firm and harnessing emerging technologies should result in an increasingly distinctive client experience, new sources of value for our clients and reduced structural costs for our company. We see ourselves as being an investments platform company that integrates the best of what we and others have to offer for the benefit of our clients and the marketplace."

Cathy Marcus, global COO of PGIM Real Estate, commented: "Capitalising on the expertise of both of our organisations will enable PGIM Real Estate to continue to focus on delivering superior investment performance for our clients, while also ensuring we have a world class operating model that is flexible to evolving business needs."

Frank LaSalla, CEO of global structured products and alternative investment services at BNY Mellon, said: "Our agreement with PGIM Real Estate is another example of how BNY Mellon's investments in strategic platforms are bearing fruit."

He added: "Asset managers are recognising the immense value in moving their real assets fund servicing from a fixed in-house model to a variable outsourced model, allowing them to focus on their core business of managing portfolios."

BNY Mellon's asset servicing business provides investment management and services in 35 countries. As of the end of 2016, it had $29.9 trillion in assets under custody or administration, and $1.3 trillion in assets under management.

Nomura taps Indian fintech talent

Nomura has launched the Voyager — Nomura FinTech Partnership in India, aimed at harnessing emerging technologies to improve its processes.

The Japanese investment bank is inviting entrepreneurs to participate in the programme to build capital market solutions for the the bank and its partners. Participants will work through the Nomura Innovation Centre (NICe), which has been set up at Powai in Mumbai, to provide a platform to start-ups that will be selected for the Voyager programme.

According to Nomura, working at NICe will enable entrepreneurs to access Nomura resources and test their concepts and solutions leveraging the bank's people, processes and technology. The bank is also open to forming closer ties with successful start-ups.

Nomura has collaborated with PwC as a knowledge partner, and with Google, IBM and Amazon Internet Services to bring together industry expertise to the Voyager programme.

RK Rangan, president and CEO of Nomura Services India, said: "New technology, supported by an innovation-driven ecosystem, has resulted in an environment of increasing collaboration between new and traditional market players. Building on this momentum, Voyager is a programme for start-ups to

SWIFT tests distributed ledger technology for reconciliations, as BNP Paribas, BNY Mellon, RBC Royal Bank and Wells Fargo all sign up

SWIFT is working on a proof of concept to assess the viability of distributed ledger technology for improving banks' reconciliation of nostro accounts.

In developing the proof of concept, SWIFT is leveraging the recently released Hyperledger Fabric v1 technology, combined with key SWIFT assets, to ensure that all the information related to nostro/vostro accounts is kept private and seen only by the account owner and its correspondent banking partner.

The proof of concept application will use a private permissioned blockchain in a closed user group environment.

This means it employs specific user profiles and strong data controls.

User privileges and data access will be strictly governed, according to SWIFT.
The data stored on the ledger and the application programming interfaces used to query and update it will also be designed to support ISO 20022 message formats.

The distributed ledger technology project is being conducted in collaboration with several transaction banks, including BNP Paribas, BNY Mellon, RBC Royal Bank and Wells Fargo, and aims to optimise global liquidity.

According to SWIFT, these banks are working with the group to identify challenges, define specifications, build the application and ultimately test the concept.

A further 20 banks are expected to join the programme at a later stage to further validate and test the distributed ledger technology concept. The results of the proof of concept will be presented at Sibos in Toronto in October.

engage with Nomura to drive innovation through its global network."

Yo Akatsuka, senior managing director of innovations for Nomura Holdings, added: "Nomura has already gained momentum in fintech with the launch of its financial innovation office globally, an accelerator programme in Japan, and the establishment of N-Village, a wholly-owned subsidiary, to promote new business development and open innovation."

"We also plan to create a new JPY 10 billion ($91.8 million) fund to provide financial support to start-ups. The Voyager initiative in India is a further sign of our commitment to engage with start-ups and encourage financial innovation."

BlackRock sees uptick in AUM

BlackRock's total assets under management have seen a 14 percent increase to reach $5.2 trillion, its Q1 2017 results have revealed.

The asset manager's total assets under management increased from the $4.74 trillion recorded in Q1 2016. The total assets under management for Q1 2017 also represents a 5 percent increase on Q4 2016, which closed at $5.15 trillion.

Laurence Fink, chairman and CEO of BlackRock, said: "BlackRock's first quarter results reflect the strategic decisions we have made to complement our investment capabilities with industry-leading technology."

He added: "Over the last 29 years, we've kept our focus on the long term, anticipating changes in the asset management ecosystem and consistently investing in our business, to meet the evolving needs of our clients."

According to the results, equity products make up 53 percent of the total assets under management.

For Q1, these products saw net inflows of $44.06 billion, creating a total of $2.87 trillion in assets under management.

Fixed income products saw net inflows of $33.37 billion, meaning assets under management now sit at $1.63 trillion, 30 percent of the total.

Multi-asset and alternative products saw inflows of $1.55 and $1.36 billion, respectively, with multi-assets under management increasing to $411.57 billion, and alternatives hitting $121.16 billion.

For Q1 2017, multi-asset and alternative products made up 8 percent and 2 percent of the total assets under management, respectively.

BlackRock also reported that long-term net inflows into iShares exchange-traded funds (ETFs) reached $64.5 billion, thanks to equity net inflows of $44.6 billion, with strength in iShares Core, precision exposure and financial instrument ETFs.

Fink said: "Both retail and institutional investors continued to utilise BlackRock's iShares ETFs as the building blocks for their portfolios and in combinations to drive active returns."

"iShares saw record quarterly inflows of $64 billion, again capturing the number one share of industry flows globally, in the US and in Europe, and in equity and fixed income."

The asset manager's securities lending revenue failed to match last year's figures, recording $141 million in Q1 2017, just shy of the $148 million achieved in Q1 2016.

As part of its tangible assets sub-section of the report, BlackRock noted that the number of separate account assets and separate account collateral held under securities lending agreements increased from 177, as of 31 December 2016, to 187 by 31 March. The value of these assets went from $220 billion last year to $231 billion at the end of March.

Opus expands APAC horizons

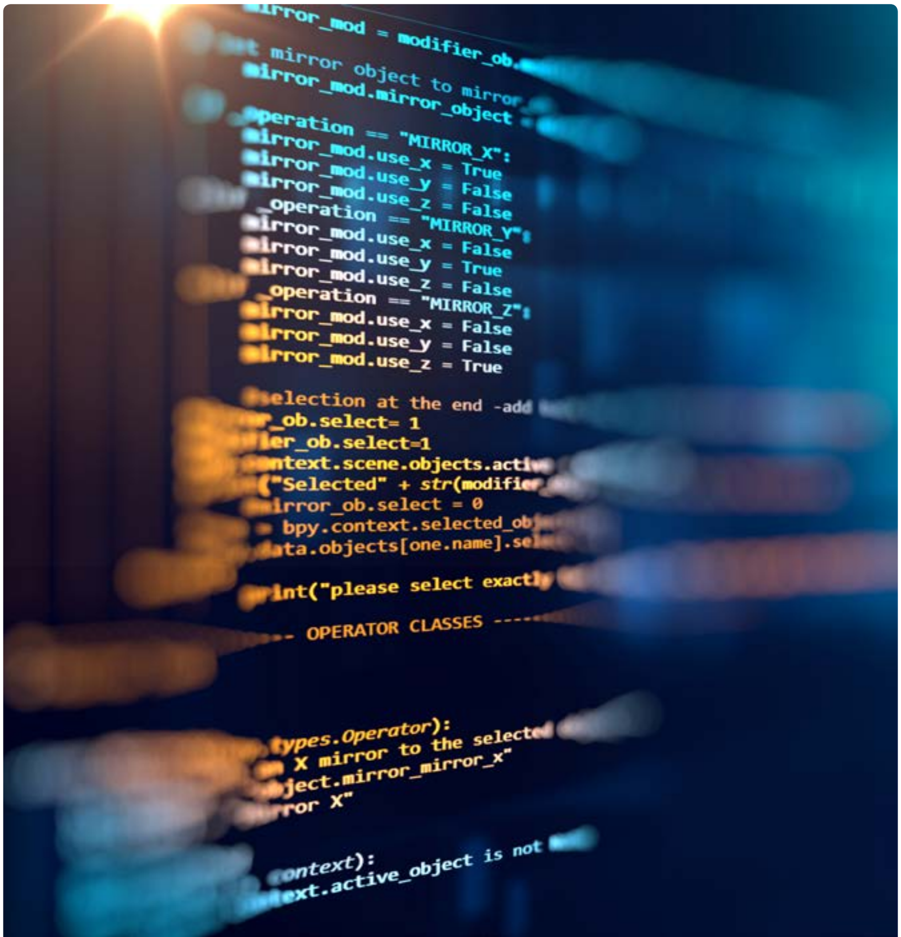
Compliance and risk management solution provider Opus has expanded its presence in Asia, opening a new office in Singapore.

The expansion is intended to help regional clients in their compliance with local and global anti-money laundering and anti-bribery and corruption regulations, and to help them mitigate third-party risks.

The move follows prompting from Asian regulators, including the Monetary Authority of Singapore, for companies to improve their risk management and compliance programmes.

Emanuele Conti, CEO of Opus, said: "Companies today are faced with myriad regulations that have global implications. In Asia Pacific, as companies increase their investment levels, managing risk in this increasingly complex regulatory environment is essential to effectively drive growth."

Ben Gould, Opus's managing director for Europe, the Middle East and Africa, and the Asia Pacific region, commented: "We're excited to expand in Asia Pacific so we can directly engage and service our clients in the region. We also see significant opportunities to serve regional companies which operate on a global scale, helping them efficiently and effectively manage risk."



Law firm sees rise in fintech patents as innovation gathers pace

The number of financial technology patents filed through the international system administered by the World Intellectual Property Organization (WIPO) has increased by 49 percent in five years, according to commercial law firm EMW.

The UK firm's research revealed that the number of fintech patents filed worldwide through WIPO's international Patent Cooperation Treaty (PCT) system, which has more than 150 countries as signatories, is continuing to rise sharply. This reached 9,545 in 2016, up 6 percent from the 9,045 filed the year before.

Fintech patents, covering banking, exchanges, investment, insurance, payment architecture and the calculation of taxation, are up 49 percent from the 6,399 filed in 2011.

Examples of the technology patented include artificial intelligence-enabled methods for highlighting risks in real-time, with suspicious or abnormal activities picked up using predictive models, as well as new tools for providing crypto or other digital currency-related services, including bitcoin trading platforms and bitcoin storage services.

Felix Dodd, solicitor at EMW, commented: "Technology is revolutionising the services that financial services businesses provide to consumers, as well as serving a vital cost-cutting function."

"The surge in patents reflects both the proliferation of start-ups bringing new technology and products to market over the last few years, as well as investment by more traditional financial services firms in an effort to remain relevant and retain market share."

Patents generally grant their owners 20 years of exclusivity to an invention, although this can differ across jurisdictions.

The international patent system, under the PCT, allows applicants to simultaneously seek protection for an invention in a large number of countries.

BNP Paribas aims for €2 billion+ revenue by 2020 for securities services

BNP Paribas is aiming to increase its revenue from securities services to €2.2 billion by 2020.

The French custody bank revealed the aim as part of its recent investor day, with a list of expanded service offerings proposed.

Securities services revenue at BNP Paribas has increased from €1.4 billion in 2013 to €1.8 billion last year.

BNP Paribas is aiming to offer joint global markets and securities services solutions for institutional clients in a bid to boost revenues, as well as to offer multi-asset outsourcing to the sell and the buy sides, and leverage digital technology to increase client value.

The bank also plans to expand its footprint in China and the US, where it was recently selected as the local custodian for Raiffeisen Bank International's $3.2 billion domestic portfolio.

Stefan Wallner, head of network management at Raiffeisen Bank International, said of the mandate: "BNP Paribas Securities Services's international presence and global operating model were key to our decision to appoint them as our local US custodian."

He added: "We were also impressed with the quality of BNP Paribas's corporate actions services and the expertise and commitment of the team."

ENSO and RSRCHX pair up to solve MiFID II research consumption

The NEX Group's ENSO, a centralised treasury management solution for the buy side, is set to expand its broker vote tool to include research consumption for the second Markets in Financial Instruments Directive (MiFID II).

The new feature will be powered by RSRCHXchange, the MiFID II compliant marketplace for institutional research.

ENSO promises that the expanded tool will provide buy-side institutions with evidence-based evaluation of research providers and budget setting to comply with upcoming 2018 regulatory requirements.

Clients will gain a clear methodology for research payments, fully validating how payments for research were reached based on the quantity and quality of services provided.

RSRCHXchange is the latest company to join the Euclid Opportunities portfolio, NEX Group's financial technology investment business.

RSRCHX, the RSRCHXchange marketplace and MiFID II workflow solution for institutional research, was launched in 2015, in anticipation of the unbundling rules which come into force in January 2018.

Matthew Bernard, CEO of ENSO, said: "MiFID II is a key focus, not only for our clients but for the broader marketplace in 2017."

"By expanding our broker vote tool we are able to deliver an enhanced solution to address the pivotal research requirements for both our sell-side and buy-side clients alike."

"At NEX, we have a strong history of partnering with businesses that are addressing tomorrow's issues. We are excited to collaborate with RSRCHXchange to solve this problem for our clients and the market."

Vicky Sanders, co-CEO of RSRCHXchange, added: "We are excited to be working with ENSO and enhancing their broker vote tool."

"They are award-winning innovators and they are providing the industry with an evidenced broker vote tool which is not only MiFID II compliant but also best in breed."

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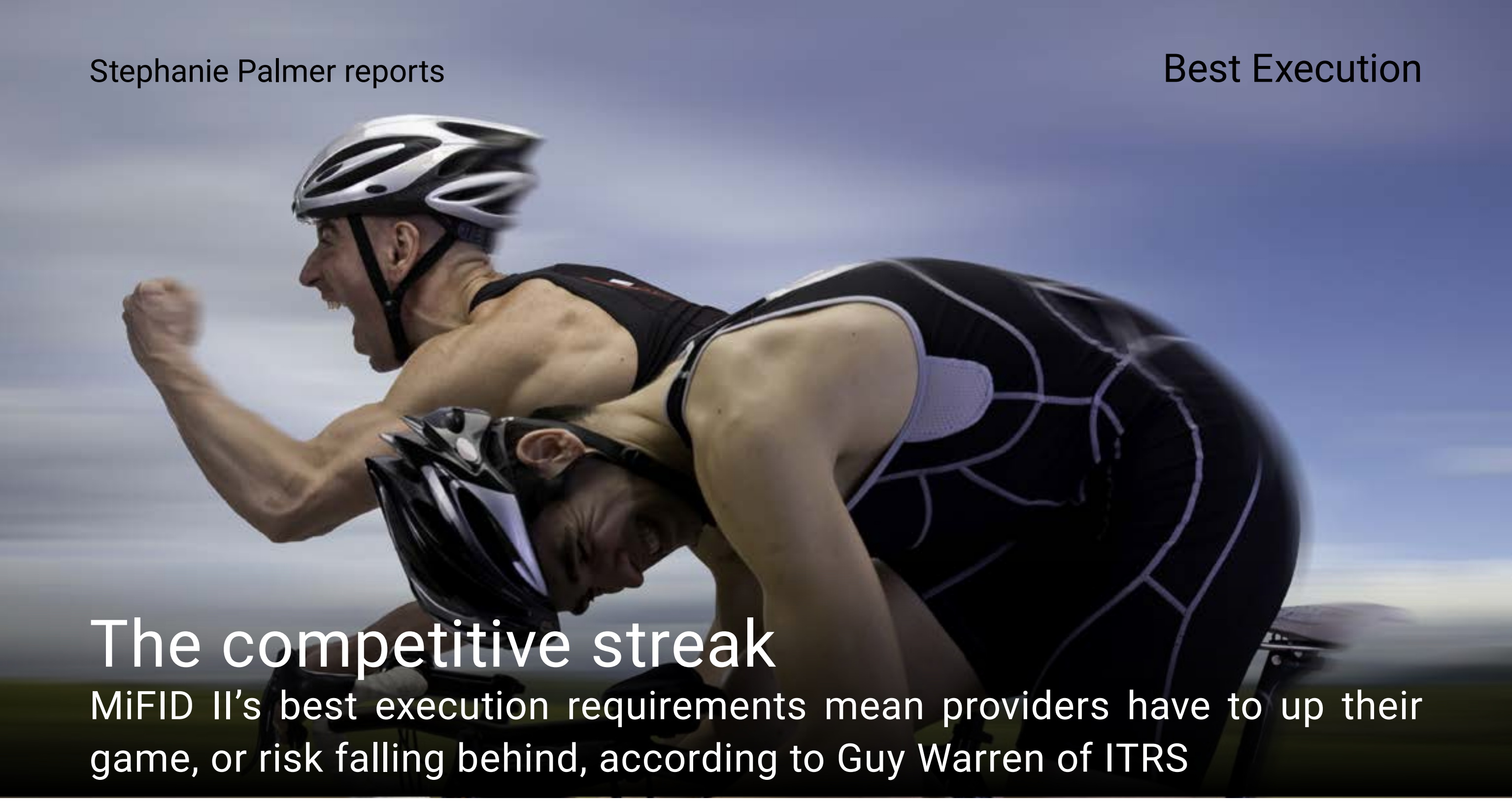

The competitive streak

MiFID II's best execution requirements mean providers have to up their game, or risk falling behind, according to Guy Warren of ITRS

With MiFID II coming into effect in January next year, why is it important for execution services to be robust?

Before the second Markets in Financial Instruments Directive (MiFID II) was introduced, brokers were driving business by making recommendations to asset managers, with idea generation and research bundled in with execution. If a research house had particular expertise with a particular asset class or market, then asset managers would put up with moderate execution services, with trades failing and issues with IT systems, for example, because the ideas were of a very high quality.

MiFID II enforces separation. The research must be paid for as a completely standalone element, so managers can get the great ideas from a broker and go and execute wherever they choose. They could have done this before, to an extent, but brokers would most likely have stopped sharing research if they weren't getting the execution.

This means the execution side has to stand on its own two feet. It has to be very robust, very accurate and at a minimum cost, with the minimum number of interventions. That puts a much bigger burden on the IT systems that a broker needs in order to execute the trades.

Has this created a more competitive environment?

Yes, and that's exactly what the directive was designed to generate. The idea was that, even though the broker may have generated excellent research, if the deal wasn't priced competitively, or if it wasn't executed well, then there would be an extra management cost to the asset owner. And usually that would be the general public's pension funds.

Through MiFID II, regulators want to see that brokers are trading at the best price, shopping the market and trading close to the market price—not simply going with the research provider. And so, part of the MiFID II obligation for brokers is to prove that the trade they made was within the spread of the market at that time.

How difficult is it to provide this proof?

It's a lot of effort. If you're trading shares it's relatively easy, as on the stock exchange there is always a public share price from the market maker or from the exchange itself. On over-the-counter products such as fixed income, foreign exchange and derivatives, however, it's much more of a grey area, and it's not clear what the market price is at any given point.

One of the things that MiFID II is forcing is the central reporting and publication of all trades and transactions. We are seeing approved public arrangement (APA) services that publish all trades in a very short space of time, so you can clearly see where the market is trading.

With these in place, if a broker or investment bank is trading outside of the market to try to make more margin, it's clearly visible.

That extra margin should be going to clients, and the broker should have found the cheapest place to execute. They have an obligation to find the best price for their customers, rather than to trade in the easiest place, which is often where they got the research from.

How can execution service providers cope with the added pressure of MiFID II?

The best execution requirements mean that brokers must keep a close eye on the market. The APAs are generating the data that gives this visibility, and brokers must show that they're trading within a reasonable margin of where the market is at any given time. And, because of the new competitive edge, they also have to execute trades really well.

For many of them, the execution service was good enough to support the research teams, but it wasn't an excellent service in its own right.

The sam situation arises in other industries when services become disintermediated, and when previously bundled

services are approached as two separate lines. Previously, for example, if you were buying a sofa, you would go into a shop, choose the one you want, and buy it. This does still happen, but now there's also a temptation to have a look online.

If the online experience is really good, saving the customer money, making the payment easy, and removing the hassle of actually getting the sofa home, then the customer is going to go that way.

On the other hand, of the online service isn't absolutely brilliant—if the goods don't arrive exactly as ordered, if the website is down, if the delivery price is too high—then there is little tolerance. Customers don't want that experience, and they will look elsewhere.

The same thing is happening in financial markets. Asset managers might find what they want to trade in a research house, but for the research house to get the execution business, the trading has to be bulletproof. It has to meet every expectation, and it has to be cheap.

There is a lot of pressure on the execution services. Providers need to make sure everything is as automated as possible: the pricing, the visibility, confirmations and settlement must all be super-slick. Then they will attract volume, and execution will become cheaper per transaction. It's a virtuous circle—those who do execution really well will get the trades.

What kind of technology upgrades do you think are required?

We could see all kinds of automation. The settlement side has to be really slick, but it's also important to provide timely data. If the APAs are providing market data, brokers want to see this at the point of trading, so they can know they're trading best execution.

The IT systems need to be bulletproof, performing well even during busy periods. That requires a lot of software, like that which ITRS provides, to make the systems highly stable, visible and robust.

Awareness of the technology issue is picking up and the spending on, and demand for, high-quality execution is increasing as people realise that this will be a gamechanger.

Execution is one of the places where brokers can make a lot of money, but that will diminish if they don't make themselves the best place to trade.

Where does data analytics come into it?

There is a case for machine learning, which is simply a piece of software that watches a given data set and identifies any new piece of data that doesn't stack up with what it has seen before.

It will then watch and learn, and if something is becoming more and more common, it will adjust its understanding of what normal looks like.

Machine learning can save brokers from setting thresholds that are going to be breached because the world has moved on and those thresholds are no longer correct.

We use some of this anomaly detection in our analytics platform, helping IT and business professionals to spot anything rogue, be it a rogue computer, a rogue trade that shouldn't go through, or a rogue price coming from an APA.

We want to spot anything that's out of kilter before it affects either the IT or the business transactions.

In a 5,000-server estate, you're never going to be able to understand all of the metrics that are going on. Instead, you can use machine learning to assess what's normal and what's not, and to alert you when something out of the ordinary occurs.

Is that kind of analytics becoming more important?

Absolutely. Analytics started off with ping tests, which would determine whether the server was up or down, but those days came and went a long time ago. Now, we want to know how full the disk is, how busy the CPU is, and more sophisticated things such as how long a trade is taking to move through the business and how many trades per second the business is processing.

The kind of data we're watching has become more sophisticated, and the volume of data is going up. There might be several hundred metrics coming from each server, and server numbers could be in the thousands. You need AI to manage that for you.

Our software is designed to collect that data, analyse it and spit out any anomalies before they've had a chance to make an impact.

Only with this kind of technology can you be world class at executing. Those that don't get the volume will end up like the online retailers that don't deliver on a Sunday—they're the ones that will go out of business. **AST**

Those that don't get the volume will end up like the online retailers that don't deliver on a Sunday—they're the ones that will go out of business

Guy Warren, CEO ITRS

Strike swiftly

The financial services industry is facing many challenges, and the SWIFT Business Forum wasted no time in cutting straight to the heart of them

Tackling cyber security, disruptive technologies and the dreaded topic of politics, SWIFT's Business Forum London went straight for the vitals of financial services, putting the pressure on big industry names and delegates alike, and striving to sort the complex traumas from the flesh wounds.

And the opening plenary panel did not allow for any gentle warm-up, with attendees immediately urged to take a more holistic and communicative approach to tackling cyber crime.

Jean-François Legault, global head of cyber security operations at J.P. Morgan, warned that the threat landscape has changed.

Malware is targeting wholesale platforms, and criminals are going after higher-value payments, where there is more yield on the crime, he said.

Legault suggested that at J.P. Morgan his focus is on helping the business to innovate and approach risks in a different way. Analysts, who are usually focused on technology and security controls, must also understand the payments space and communicate with those who work within it.

The future in terms of cyber security, he said, is to bring those resources together to create an environment of controls that will "address the risk holistically".

This is "an evolution", as the industry moves towards "better communication" and "integration in the business".

Another panellist, Baroness Denise Kingsmill, chair of the board at start-up bank Monzo, added that this is the kind of culture that can be built in to such start-ups.

Monzo's business and cyber security teams are within "shouting distance of each other", she said, adding that that bank is very "fleet-of-foot" in that respect.

SWIFT CEO Gottfried Leibbrandt went on to suggest that many cyber security challenges arise because "everything is connected to everything". Cyber criminals exploit the ecosystem, looking for weak points in the whole chain, he said, and so the response should be for the entire ecosystem to work together.

The industry should present an in-depth response with "multiple lines of defence", accepting that sooner or later a breach will occur, and having processes in place to identify and stop malware when it does.

This does not only involve fixing the weakest link, Leibbrandt said, but taking a full end-to-end view.

While financial technology may be part of the solution here, another panel suggested that, while fintech may change the way the financial market work, no solution will provide the "wonder cure" for all ills.

Mark Beeston, a partner at Illuminate Financial and panellist in the conference's securities stream, said: "We are at a moment of generational change in terms of capital market infrastructure."

He named the main four drivers for change as cost, control, capital and compliance, and added that, if institutions do not address these areas, they will be at a competitive disadvantage.

Gavin Wells, head of Europe at Digital Asset Holdings, added, however, that fintech can provide this change, but only if providers respect the financial markets, working with existing regulation in a "prudent and steady manner".

Fintech is not a panacea but could act as an enabler, he said.

A poll asked attendees at the session whether they think technologies such as blockchain, artificial intelligence and machine learning are a solution looking for a problem or transformative for business.

Some 50 percent of respondents said fintech will change the way we do business, while 25 percent said they consider it a solution looking for a problem, and 25 percent called it "evolutionary, not revolutionary".

Dirk Schrade, deputy head of the department of payments and settlement systems at the German Federal Bank, said it may be significantly affected by fintech as "we have a lot of functions".

The central bank must consider how changes will affect business and what will be best for financial stability.

Schrade argued that these technologies may offer potential, but should not be considered as the "wonder cure" for all problems.

Currently, it can be difficult to see concrete consequences of technological change, he said, with many innovations having not yet moved past the pilot phase. The bank tries "to base our considerations on solid ground", he said.

Schrade added that, while technology may not be the be-all and end-all, it is an "important catalyst of change", and that not just one innovation, but a mix of new technologies could shape the future.

Elsewhere, a session in the compliance stream addressed the changing geopolitical landscape and how this is likely to affect financial crime compliance strategies.

Attendees to the session identified the Trump administration's approach to regulation as their biggest concern with regards to financial crime compliance, however, the panel of experts suggested that there are bigger fish to fry.

The US, and President Donald Trump's approach to regulation and deregulation was highlighted as the biggest concern by 34 percent.

This was followed by the Middle East conflict and issues around Syria, Iraq and North Africa, selected by 19 percent of the audience, and the UK's exit from the EU, named by 13 percent.

Issues around weapons of mass destruction—specifically in North Korea and Iran—and "Eastern front tension", that is the situation with Russia in Crimea and the threat of Russian hacking, were each named as the biggest concern by 11 percent of respondents.

Finally, China's search for "predominance in Asia" was considered the biggest geopolitical concern by 9 percent of the audience.

Jennifer Shasky Calvery, global head of financial crime threat mitigation at HSBC, said she doesn't see the US as a big issue at the moment.

Currently, the US government is committed to using sanctions and anti-money laundering as a means to political leverage, she said.

Rather, Shasky Calvery drew attention to the conflict in the Middle East, suggesting that this creates new know-your-client challenges with regards to looking out for the possibility of clients becoming radicalised.

She also noted that, for HSBC specifically, which has huge operations in the US and Asia, a difficult relationship between the US and North Korea "starts to raise some pretty complex questions" around financial crime responsibilities.

with former head of the Conservative party and former remainer Lord William Hague extolling the virtues of Brexit to the financial services industry and arguing that, as long as the industry remains open for business, it will remain strong.

But attendees were not so easily convinced. A poll of revealed that 60 percent of respondents believe the UK financial services industry will merely survive outside of the EU, while 40 percent believe it will thrive.

In his speech, Hague reminded delegates that a Brexit deal will be based on the "overall architecture", saying "there isn't going to be a brilliant deal for financial services and a terrible one for the car industry, or the other way around".

The EU is strongly opposed to a sector-by-sector outcome. The overall architecture means ending free movement as it now exists, and therefore leaving the single market, and this will necessarily apply to financial services.

> ***The key for the UK will be remaining open, whatever the outcome of the Brexit negotiations, to talent and business and markets from all over the world, while maintaining a highly competitive environment***

From a European perspective, Olivier Kraft, a research fellow at the Centre for Financial Crime and Security Studies of the Royal United Services Institute, said that, despite the Brexit negotiations, there is a "strong political will" among the "divorce partners", to limit any negative impact on the fight against financial crime.

Kraft also suggested that good will in this respect is not enough, and questioned whether it will possible for the UK to maintain its current level of cooperation. There are likely to be legal challenges in this, he said.

Another speaker, Justine Walker, director of financial crime at BBA, added that the UK is currently tied to the EU framework, including the fourth AML directive. While the UK may see a change in priorities and enforcement, changes in regulation around financial crime compliance will likely be minimal, and will take some time to enforce.

"If anything, we'll see more action," Walker said, suggesting that the UK may strive to catch up to the US in terms of regulatory enforcement of financial crime compliance, including more focus on white-collar crime, more enforcement and a generally more active regulator. The day's final keynote speak also focused on the Brexit negotiations,

While there should be concern about any threat to the UK's industry, Hague said: "it would be a mistake to be defeatist about this."

There is "critical mass" in UK financial services that cannot be easily replicated elsewhere, he said, adding that this is "one of the most sophisticated and liquid markets in Europe".

Hague said: "The key for the UK will be remaining open, whatever the outcome of the negotiations, to talent and business and markets from all over the world, while maintaining a highly competitive environment at the same time."

If there is a free trade agreement between the UK and the remaining 27 EU member states, there is a chance of a deal on financial services that would allow for broadly equivalent regulatory regimes.

If not, however, if the UK remains open to the rest of the world, then it could benefit in other ways.

"In the event of no deal with the EU, then it would be open to the UK to adopt a different model focusing on preventing systemic risk but also on ensuring that Britain has a highly competitive model drawn on best practice from around the world." **AST**

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Board shake up at DTCC, and new faces at State Street, Trading Apps, OCC and more

BNY Mellon's securities finance business chief has joined State Street's enhanced custody business development team for North America.

Adam Sporn, who moved to State Street in late March, will now be responsible for developing new business opportunities, cultivating existing relationships and serving as a product expert in industry affairs.

He reports into Jim Bryant, senior managing director for State Street's enhanced custody business development team.

Previously, Sporn was managing director and head of business development for Borrow Plus, BNY Mellon's principal securities finance programme.

The role involved managing the bank's client-facing activities, including sales and relationship management, with a focus on hedge funds and liquid alternatives.

Sporn's CV also includes 11 years in Morgan Stanley's securities lending group, where he was responsible for building out incremental supply for prime brokerage clients through exclusives and enhancement swaps.

Trading Apps has snagged EquiLend's Jacqueline Cacace as its new senior business analyst.

Cacace's role focuses on developing and designing business requirements for existing and prospective Trading Apps clients, as well as serving as an extra point of technical contact for the growing US client base.

She will also serve as a sales engineer, assisting the head of US sales.

Cacace joined the securities finance technology vendor's New York office on 1 April and reports to Matthew Phillips, head of delivery.

At EquiLend, Cacace was vice president of the product management office from October 2013. She has also previously served at J.P. Morgan and Morgan Stanley.

Cacace follows EquiLend's former head of sales Chris Valentino, who moved to Trading Apps in September 2016 and now leads its US office.

Matthew Harrison, CEO of Trading Apps, said: "Jacqueline Cacace's impressive experience and commitment to the industry are consistent with the culture we have and continue to build upon at Trading Apps."

He added: "We view Jacqueline's appointment as a testament to the growing demand for our products, services and expertise in the North American market."

OCC's senior leadership shake up continues with the appointment of David Hoag as senior vice president and chief information officer.

Hoag will fill the role left by Luke Moranda, as of 1 May. Moranda is set to become senior vice president and senior information technology adviser to OCC's new president and COO John Davidson, who will join the clearinghouse in early May.

Both Hoag and Moranda will report directly to Davidson.

Previously, Hoag served as chief technology officer for Halo Investing, which developed and now offers a pre-defined market return trading platform for investors.

Craig Donohue, OCC executive chair and CEO, said: "OCC must continue to cultivate confidence in our resiliency while simultaneously meeting the needs of market participants with cost-effective solutions.

"David Hoag can build upon the progress and momentum created by Luke Moranda and our IT team to help ensure that OCC has the technology infrastructure in place to assess the ability to meet the evolving needs of our clearing members while also meeting the heightened expectations of global regulators."

Donohue added: "As our senior IT adviser, Luke Moranda will focus on OCC's future state IT capabilities, including modernising and improving our software development life cycle processes. I have great confidence in [his] ability to deliver outstanding results in this new role, given his background and experience."

Former Clearstream global head of securities financing sales Pascal Morosini has resurfaced as CEO of new regtech platform i-Hub.

i-Hub is part of the POST Luxembourg group and facilitates client documentation onboarding, delivering significant operational efficiencies for securities finance.

The platform focuses on KYC document management.

Morosini resigned from Clearstream in July 2016 after 20 years at the firm.

His departure followed Deutsche Börse Group's decision to fuse the agency lending services of Clearstream, Eurex Repo and Eurex Clearing in 2015 to better serve large, fixed income lenders.

The Depository Trust & Clearing Corporation (DTCC) has appointed four new members to its board of directors.

The new members are Michael Herskovitz of AllianceBernstein, Kathleen Lynch of UBS Americas and Wealth Management Americas, Umesh Subramanian of Goldman Sachs, and Lara Warner of Credit Suisse.

The DTCC board of directors provides direction and oversight for the corporation, on behalf of its global stakeholders, in a bid to help promote safety and stability in the financial markets.

There are currently 20 directors, 13 of whom are representatives of clearing agency participants. Three are non-participant directors, and two are designated by Series A and B preferred shareholders. The final two directors are DTCC's president and CEO, and its non-executive chairman.

According to DTCC, the new board members were selected to improve the depth of expertise on the board.

Herskovitz is director of fixed-income risk operations and technology and co-head of enterprise operational risk at AllianceBernstein, a role he has held since 2006. He has also co-authored two books and several research papers on mortgage-backed securities pricing and analytics.

Lynch is COO for UBS Americas and Wealth Management Americas, responsible for oversight of the front-to-back control systems and maintaining smooth operations. She joined UBS in 2012, from Merrill Lynch, where she held various leadership positions in global research and investment banking.

As global co-head of the Goldman Sachs technology division, Subramanian is also a member of the firm's committees on risk, finance, model risk control and technology risk. He also serves on the investment banking division technology investment committee, and has previously led the finance engineering team.

Warner is responsible for all global compliance and regulatory issues at Credit Suisse, and is a member of the executive board at both Credit Suisse and the Credit Suisse Group. She was CFO of the firm's investment banking division between 2010 and 2015, and before this was global head of fixed income and economic research.

Robert Druskin, non-executive chairman of DTCC's board, and chairman of its executive committee, said: "We are delighted to have four talented and knowledgeable industry leaders join DTCC's board of directors."

He added: "We also extend our deep gratitude to our former board members for their tireless service and contributions to DTCC and the broader industry."

The new board members replace Darryll Hendricks of Global CCS and UBS Investment Bank, PIMCO's Cynthia Meyn, and Derek Ross, a former partner at Deloitte UK, who have all completed their terms.

Paul Walker of Goldman Sachs has also left the board, choosing not to stand for re-election. **AST**

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