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trueEX sues IHS Markit over anti-competition claims

Interest rate swaps exchange trueEX has brought an anti-competition action against Markitserv, accusing the IHS Markit business of cutting it out of the market.

Markitserv, an over-the-counter post-trade platform, recently terminated their long-running trading relationship due to trueEX's unwillingness to allow Markit to manage its post-trade processes, according to trueEX.

The decision means that Markiserv is no longer able to accept 'drop copy'-only messages from trueEX. The legal complaint was filed in the US District Court for the Southern District of New York on 8 May.

It seeks an injunction delaying the termination of their agreement.

It has been alleged that Markitserv's decision to cut ties with trueEX comes in response to trueEX's launch of its own post-trade service provider truePTS in December 2015, which is eating into Markitserv's market share.

In a statement on the decision to file the legal action, trueEX co-founder and CEO, Sunil Hirani, said: "What I have surmised from my conversations with Markit, is they would like us to interact with them in a manner that most closely resembles the way voice broker IDB firms interact with them for voice trades—meaning the transaction would be executed on trueEX (FIX or UI) and then Markit exclusively would perform the matching, clearing and SDR messaging lifecycle events."

"This change requires trueEX to insert Markit in the middle of all of our activities in order to process, clear and report transactions, thereby creating additional workflow steps, potentially slower response times, additional software and connectivity changes and higher costs."

Hirani encouraged mutual clients of the two platforms to lend their voices to trueEX's calls for the trading relationship to be reinstated.

IHS Markit did not respond to a request for comment.

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Apex eyes up fund admin expansion

Apex Fund Services has simultaneously been recapitalised and acquired Equinoxe Alternative Investment Services, signalling its intent to expand within fund administration.

Private equity firm Genstar Capital has invested an undisclosed sum in Apex, which the fund administrator plans to use to boost its middle-office solutions and administer close to $80 billion in assets.

Apex began with the acquisition of Equinoxe, a hedge fund administrator with offices in Bermuda, Ireland, the US, Mauritius, Malta and Singapore. Financial terms of the deal, which is expected to close in Q3 2017, were not disclosed.

Peter Hughes will retain a significant equity stake in the combined business and will continue to lead it as founder and CEO.

He said: “This is a significant step in Apex’s ongoing development as a global institutional provider.”

“The Equinoxe team has built a successful business and its combination with Apex will provide a strong strategic and cultural fit. We are extremely pleased to partner with Genstar, a firm that shares our guiding principles for delivering quality service to clients. We also share an ongoing commitment to growing Apex, both organically and through acquisition.

“We look forward to partnering with Genstar to continue to build scale and enhance Apex’s ability to service clients across multiple jurisdictions.”

Tony Salewski, managing director of Genstar, added: “There is a large and growing market for outsourced fund administration services to private and public market managers.”

“The combination of these two leading and complementary businesses will immediately create a global fund administrator with significant scale, a full suite of solutions, global presence, and the expertise of an experienced management team.”

“The opportunity to build a platform around Apex fits squarely within our approach of investing in leading businesses that provide critical tools and services to the investment management industry.”

“We are excited to support Peter and his team in driving accelerated growth through strategic add-on acquisitions and expansion within high growth areas of the fund services market.”

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HSBC Securities Services wins Direct Line custody mandate

Direct Line Group has selected HSBC Securities Services as its custodian and middle-office services provider.

The UK insurer with assets of £6.6 billion under management selected the bank due to its sizeable balance sheet and track record with UK and European insurance companies, according to HSBC.

Rafael Moral Santiago, head of HSBC Securities Services in Europe, said: “We are delighted to have won the business for such a prestigious UK insurance company.”

“Working with Direct Line Group demonstrates our ability to win business in this competitive and growing sector.”

The new mandate follows the announcement of HSBC’s Q1 2017 results.

The bank achieved a 12 percent increase, a rise of $42 million, in securities services revenue during Q1 2017.

Revenue rose from $363 million to $405 million year over year, and from $391 million quarter over quarter.

SIX expands equity repo baskets list

SIX Repo has launched two new European equity index baskets for its CO:RE trading platform.

The CAC 40 and FTSE 100 baskets are open to equity repo financing and will be added to existing baskets list that track the Swiss SMI 20, the German DAX 30, the MIB 40 and the Spanish IBEX 35 index.

The decision to launch fresh equity repo baskets was driven by the increasing demand for equity repo financing, according to SIX.

Equity repos, baskets reproducing market indices, supplement the Swiss National Bank’s (SNB) high-quality liquid asset (HQLA) baskets, SNB HQLA 1 and 2, which are traded via counterparties on the CO:RE trading platform.

Nerin Demir, head of SIX Repo, commented: “Different banks and non-bank financial institutions in the repo market have an interest in taking in more equity as collateral due to its liquidity, availability and for the diversification factor.”

“There is a clear trend for equity and fixed income financing desks to come closer

together and work towards a more singular view of the available collateral pool. This in turn attracts new participants, the latest of which is Natixis—the first of many new participants we are looking forward to welcoming aboard."

Ian Beattie, head of client development on the equity finance desk at Natixis and SIX client, said: "The straight-through processing capabilities of SIX, combined with the access to a broad range of counterparties makes the platform an attractive financing tool."

"Easy to use, it can cater for large volumes of transactions and is particularly supportive for equity repo transactions. We are looking forward to building balances and working with counterparties on CO:RE trading platform."

Another SIX Repo client, Thomas Roth, head of cash and collateral management at Bank Vontobel, added: "Having as many products as possible on a standardised platform like SIX Repo's CO:RE trading platform provides participants with the necessary flexibility to cover their needs and supports increasing volumes to fulfill the financing requirements within different asset classes."

French pension fund chooses SocGen

Caisse Nationale d'Assurance Vieillesse des Professions Libérales (CNAVPL), the French national pension fund for self-employed professionals, has appointed Societe Generale Securities Services to provide custody services for its funds.

Societe Generale secured the mandate following a public tender. CNAVPL represents 10 pension funds and manages the basic pension plans of self-employed professional members.

"This mandate illustrates Societe Generale's capacity to provide a quality institutional offering on a competitive cost basis," the French bank said in a statement. "With a strong foothold in the sector, this offering meets both the client's operational needs and requirements in terms of asset safety."

Societe Generale had €3.98 trillion of assets under custody at the end of March, as well as assets under administration of €627 billion.

Northern Trust and Donnelley team up

Northern Trust and Donnelley Financial Solutions have teamed up to provide mutual fund administration clients with an automated process for the collection, creation, review and filing of disclosure documents.

Dodd-Frank replacement clears first hurdle

The Financial CHOICE Act, the long awaited legislation that will repeal and replace the Dodd-Frank Act, is set to be considered by the House of Representatives in the coming weeks.

House financial services committee chairman Jeb Hensarling officially introduced the act in April, but a series of Democratic amendments and other delays were raised before the final vote was taken.

Speaking on the act's journey through Capitol Hill, law firm Arnold & Porter Kaye Scholer noted in a blogpost that "the markup session was a clearly partisan affair that is indicative of the bill's uncertain future in the closely divided Senate".

The replacement legislation promises to radically re-write several key aspects of Dodd-Frank, and scrap the rest.

Among the first casualties will likely be the Volcker rule, the much-maligned restriction on short-term proprietary trading using banks' own funds, which "discourages legitimate and needed customer-supporting market-making activities by imposing an overly complex and intent-based compliance regime", according to Securities Industry and Financial Markets Association executives speaking before a House committee hearing in March.

Deutsche Bank was recently fined $19.7 million for failing to comply with Volcker rule.

The Federal Reserve found gaps in key aspects of Deutsche Bank's compliance programme for the Volcker rule, which generally prohibits insured depository institutions and any affiliated company from engaging in proprietary trading and acquiring or retaining ownership interests in, sponsoring, or having certain relationships, with a hedge fund or private equity fund.

Deutsche Bank was also ordered to improve its senior management oversight and controls over its compliance with Volcker rule requirements.

Norton Rose Fulbright opens Luxembourg HQ

Law firm Norton Rose Fulbright is opening an office in Luxembourg.

The new office, which will be fully operational in June, will primarily serve the firm's corporate, tax, funds, banking and capital markets practice areas.

Stéphane Braun, most recently founding partner of BS Avocats, has joined Norton Rose Fulbright to lead the Luxembourg team, working alongside new partners Manfred Dietrich and Raquel Guevara.

Martin Scott, managing partner for Europe, the Middle East and Africa at Norton Rose Fulbright, said: "I'm delighted to welcome Stéphane Braun, Manfred Dietrich and Raquel Guevara to Norton Rose Fulbright. The establishment of our Luxembourg office will enhance our cross-border tax planning, private funds, corporate and real estate capability, particularly in Germany, as well as our EU investigations and risk advisory capabilities."

"In addition to growing links with China, Luxembourg has well established connections to Canada, the US, Moscow, as well as the major European countries. The strength and depth that this new team brings offers an excellent opportunity to address the needs of our clients by building upon our existing offering."

The new Luxembourg team includes Braun and Dietrich, who have extensive capital markets and funds experience.

Braun has 14 years of experience in Luxembourg. He has advised on all aspects of banking, debt and equity capital markets transactions, as well as, regulatory matters relating to financial services, corporate, contract and commercial laws, restructuring and insolvency, and clearing and settlement.

Dietrich has more than 16 years of experience in Luxembourg, which includes setting-up, restructuring, marketing, operating and liquidating Luxembourg investment funds and vehicles. He advises managers, depositories and service providers in the funds sector on the structuring, setting-up and operation of their Luxembourg entities. Dietrich also advises EU and non-EU investment managers on the implementation and compliance with the the Alternative Investment Fund Managers Directive.

Guevara focuses on cross-border tax planning.

Norton Rose Fulbright new office in Luxembourg follows the firm's recent expansion in San Francisco, Vancouver, Monaco, Uganda and Zimbabwe.

Norton Rose Fulbright is combining with Chadbourne & Parke in Q2 2017.

The bank will use Donnelley's ArcFiling solution to generate and submit the new N-PORT and N-CEN forms required under the reporting modernisation rules of the US Securities and Exchange Commission (SEC).

The reporting modernisation rules, which were adopted last year, will enhance data reporting for mutual funds, exchange-traded funds and other registered investment companies.

They will be required to file a new monthly portfolio reporting form, known as Form N-PORT, and a new annual reporting form, known as Form N-CEN, which demands census-type information.

The rules also will require enhanced and standardised disclosures in financial statements and will add new disclosures in fund registration statements relating to a fund's securities lending activities.

Most funds would be required to comply with the liquidity risk management programme requirements on 1 December 2018. Funds with less than a $1 billion in net assets will be required to comply on 1 June 2019.

"Northern Trust continually looks for ways to enhance our processes to help clients comply with regulatory rules," said Dan Houlihan, head of Americas global fund services at the bank.

"With the ArcFiling tool, we will be able to streamline automated and efficient filing processes for our clients. This allows our clients to focus on the liquidity risk management programs for their funds."

Eric Johnson, president of global investment markets at Donnelley Financial Solutions, said: "Our ArcFiling solution is designed to make it easier and more efficient for administrators and funds to manage the significant, monthly volume that N-PORT will introduce."

Pension funds given three-year exemption to EMIR central clearing

Pension funds have been handed a three-year exemption from central clearing of over-the-counter (OTC) derivatives under the European Market Infrastructure Regulation (EMIR).

The European Commission proposed reforms to EMIR on 4 May following a multi-year review of the 2012 regulation of OTC derivatives.

Pension funds will be given the three-year reprieve because they "do not have normally access to the necessary cash collateral, and no specific solutions have been developed so far", according to the European Commission.

Brexit could see London lose euro clearing

EU leaders have a "strong argument" for bringing euro clearing into one of the remaining member states once the UK leaves the union, according to Roger Storm of SIX Securities Services.

Financial services have proven to be an early point of contention ahead of Brexit negotiations. A German politician recently revived the prospect of legislating to require euro currency clearing, the majority of which takes place in the City of London, to be carried out in the eurozone.

Amid reports that the European Commission is planning to propose legislation in June that would centralise regulation, and possibly even require firms undertaking euro clearing to relocate, Roger Storm, head of clearing risk and development SIX Securities Services, said: "The precise impact of Brexit will boil down to whether the parties discussing the separation conclude a 'benevolent transition' or not. That said, if Brussels is intent on taking back euro clearing, issues such as competition, portability, licensing and access rights will all be secondary."

"In some senses, there is a strong argument for them to do so. Central counterparty (CCP) clearinghouses secure liquidity and reduce risk, but they also bring a concentration of risk. Many will argue that it's unreasonable to expect the European Central Bank to relinquish influence and control if a CCP in another market defaults—they need to have the control of the gas pedal and brakes of their car."

Storm pointed to Euronext's recent decision to place its clearing business with ICE Clear Netherlands, following the collapse of its deal to buy LCH.

Under the terms of their new partnership, clearing operations will be run from Amsterdam, while a new asset financing solution for inventory management and physical delivery for commodities will be built by Euronext and operated from Paris.

Euronext will contribute a €10 million upfront investment in ICE Clear Netherlands, and both parties have promised to cut headline clearing fees by 15 percent. The agreement will run for 10 years.

Storm said: "I would expect that all major banks have run a thorough assessment of Brexit, with a few scenarios up their sleeve. In the event of a hard Brexit, one of these options may involve breaking up and shifting a portion of their trading, clearing and collateral back to their respective currency zones."

"The outcome of conversations over the next few weeks is sure to make waves in the clearing and settlement sector, bringing an entirely new set of questions around collateral quality, access to clearing, and market consolidation."

The prospect of losing euro clearing won't fill the City of London with joy, as the loss of its ability to clear euro-denominated transactions would put hundreds of thousands of jobs at risk, according to a report from EY.

The European Commission has extended the exemption for pension funds twice before. They were due to comply with EMIR's central clearing obligation by August 2018.

"[The three-year exemption] will allow the various counterparties involved, including pension funds, central counterparties and the clearing members that provide clearing services, to develop a solution that enables pension funds to participate in central clearing without negatively impacting the revenues of future pensioners," the European Commission explained.

The EMIR proposal also introduces more proportionate rules for corporates, re-focuses the scope of the clearing obligation for financial counterparties to include additional relevant market players while exempting the smallest, and streamlines the application of reporting requirements. It is also proposes improvements to ensure the quality of reported data.

Valdis Dombrovskis, vice president responsible for financial stability, financial services and capital markets union at the European Commission, said: "EMIR is at the heart of the EU's financial reforms. Today's proposal ensures that EMIR achieves its objective of reducing systemic risk in the OTC derivatives market, while keeping costs to a minimum for the real economy."

BNP Paribas enjoys positive Q1

BNP Paribas chalked up a 10.1 percent increase in its assets under custody year over year for Q1. Assets under custody now stand at €8.94 trillion, while its assets under administration also rose by 18.4 percent to €2.1 trillion.

As part of its Q1 report, BNP Paribas revealed that its securities services revenue was up 8.5 percent, to tip the scales at €478 million, compared to the same time last year. The bank attributed the growth to "good business development".

The French custody bank secured new custody mandates in Q1, with Mapfre and Actiam adding €60 billion and €56 billion in assets, respectively. BNP Paribas recently laid out its ambition to increase revenue from securities services to €2.2 billion by 2020. The pledge was revealed as part of its recent investor day, with a list of expanded service offerings proposed.

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 offer multi-asset outsourcing to the sell and the buy sides, and leverage digital technology to increase client value.

Exchange-traded flexibilities

The main challenge is developing a solution that is both flexible and scalable and is capable of supporting ETF managers across various regions and asset classes, according to Dominic Crowe of Citi

What makes the needs of ETF asset managers unique? What kind of challenges do ETFs pose for service providers?

Every asset manager is unique, but in general there are nuances specific to exchange-traded funds (ETFs) that must be taken into account. From a service provider perspective, the main challenge is developing a solution that is both flexible and scalable that can support ETF managers across various regions and asset classes.

The one point that I would highlight is related to how new ETF shares are created via in-kind baskets. This feature of an ETF requires infrastructure that an ETF asset manager can either build or outsource to a service provider. There are certain cost advantages to leveraging the infrastructure and scale of a service provider. Following the global financial crisis, asset managers have come under extreme pressure to lower fees. This is evidenced by the large asset flows to lower cost products such as ETFs. Leveraging a service provider to perform ETF-specific functions gives ETF asset managers the ability to better manage operating costs while focusing on their core competencies.

How important, and how easy, is it to find people with specific expertise to service ETFs properly?

The ETF industry is still relatively immature, which makes it difficult to find folks that have five, 10 or more years of experience. As firms look to launch their ETF platform, it's imperative to find seasoned professionals with prior experience before launching any product. Once the infrastructure has been established it becomes easier to source candidates that have general fund services experience. Having said that, I think the ETF industry affords tremendous opportunity for individuals that are looking to learn and join a dynamic industry that is growing at a rapid pace.

What kind of technology is required? Has the evolution of fintech made ETF servicing more efficient?

In addition to the core platforms required to support a traditional asset manager, ETFs require significant development to support the creation of ETF shares via in-kind baskets. The challenge with the technology is that it must be integrated with the existing core platforms and it's difficult to implement a third-party solution. Our understanding is that most, if not all, service providers have developed their ETF solution in-house. This evolution has resulted in inconsistent capabilities. As ETF asset managers perform their due diligence, it's important that they look under the hood to insure the vendor's solution is scalable and customisable.

The evolution of financial technology has and will continue to affect the evolution of ETFs. Innovations will continue: technology will affect ETF product construction, trading and back office processing. The implementation of robotics, machine intelligence, data and analytics will be game changers for the entire investment lifecycle. Citi is committed to implementing these technologies and is making significant investments. We have established various fintech labs across the globe to drive our technology evolution.

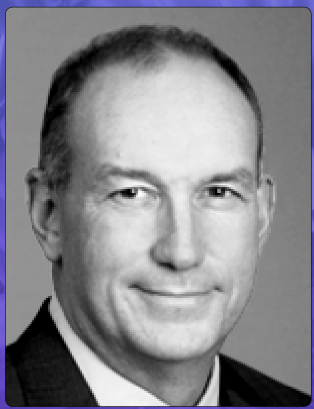
Are you seeing an increase in the use of ETFs? Why, and is this putting a strain on service providers?

At the end of Q1 2017, ETFs and other exchanged-traded products registered record inflows, lifting global assets under management to $3.9 trillion. Our expectation is that investor preference for lower cost investment products will continue, which will greatly benefit ETFs. We continue to see an increase use across all investor segments. Specifically, we expect financial advisers, online platforms and retail investors to lead the global demand over the coming years.

As a service provider, we are excited about the continued success and development of the ETF product.

As the product continues to develop, it's imperative that we continue to invest in our ETF platform to insure its market leading and scalable. Asset managers rightly expect seamless processing irrespective of volumes and we strive to deliver on that promise. **AST**

Our understanding is that most, if not all, service providers have developed their ETF solution in-house



Dominic Crowe, Global head of product development and strategy for custody and fund services, Citi

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Former SS&C Technologies global co-head of investor services Des Johnson has joined Centaur Fund Services as CEO of the US.

Johnson has 20 years of experience in fund administration. He was recently part of the executive team at SS&C where he managed more than 600 people across 12 countries.

He has held senior management positions at Citibank, BISYS Hedge Fund Services and State Street.

Johnson, who is based in New York, said: “I’m delighted to lead Centaur USA and am committed to accelerating our US momentum. The growth prospects for our business in North America are extremely exciting as clients really appreciate Centaur’s ‘client first’ approach.”

“Centaur has a strong group of hedge fund, private equity and family office clients in the US and we see tremendous opportunities for further growth,” commented Eric Bertrand, founding partner of Centaur Fund Services.

“We launched our Bermuda office in 2016 and this has become an important servicing centre for us. Des Johnson is a key hire and we expect to build significantly in North America in the coming years.”

Fidelity Clearing & Custody Solutions has appointed David Canter as head of its registered investment adviser (RIA) segment, following the departure of Bob Oros.

Canter will oversee sales and relationship management for the RIA segment. Oros left Fidelity in January after five years in the role.

A year after joining Fidelity in 2009 as COO of the RIA custody business, Canter was tapped to strengthen and expand the practice management and consulting offering.

Senior vice president of business analytics and consulting Matthew Chisholm has been promoted to take over from Canter as head of the practice management and consulting group.

“David Canter has deep knowledge of the RIA business, community and our clients,” said Sanjiv Mirchandani, president of Fidelity Clearing & Custody Solutions. “He is a trusted consultant and thought leader.”

“David’s fresh vision will continue to help our clients and talented associates succeed and grow today and in the future.”

He added: “Matthew Chisholm’s ability to apply data and strategic insights to solve business challenges has made him a tremendous asset to our clients. He has a keen focus on capitalising on growth opportunities and will continue to serve our clients well as he takes on this expanded role.”

Eric Bernstein has been appointed president of investment management solutions at Broadridge.

Bernstein will be responsible for driving the company’s growth within the investment management solutions sector.

Previously, Bernstein has lead divisions at Linedata, Sophis and, most recently, eFront.

Charlie Marchesani, president of the global technology and operations division of Broadridge, commented: “Eric Bernstein brings nearly two decades of experience in global businesses serving the asset management and capital markets segments and is a proven leader in building strategic client relationships.”

Bernstein added: “I am excited to join Broadridge, a global financial technology leader which is at the forefront of addressing industry needs and supporting clients with scalable and innovative solutions.”

“I look forward to driving our continued focus on helping our investment management clients achieve operational excellence and sustain future growth.”

Guernsey Finance, the island’s promotional agency, has promoted Kate Clouston to deputy chief executive.

Clouston, who joined Guernsey Finance in 2015, has been responsible for leading business delegations and promotional activity in Southeast Asia, North America and Europe.

In addition, she has focused on developing these target markets through implementation of development strategies around emerging financial products, and attracting new companies or business to Guernsey.

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