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AIMA launches updated guide to fund administration services

The Alternative Investment Management Association (AIMA) has published a new guide to fund administration, aimed at alternative managers choosing between providers.

Compiled through consultation with a working group of industry executives, the guide looks into best practice when addressing an administrator's services and practices, including guidance for managers looking for new providers or assessing their existing mandates.

Previously published in 2009, the guide has been revised to reflect changes in the industry, including around cyber security, record keeping, and regulations such as the Alternative Investment Fund Managers Directive (AIFMD) and the Dodd Frank Act.

It explores practices around transfer agency, anti-money laundering and know-your-client checks, fund accounting and outsourcing of middle-office services.

It also covers financial, regulatory and systemic risk reporting and monitoring.

According to AIMA, the new guide is intended to be more reflective of the "modern fund administration sector", which has expanded as alternative investment managers have diversified and as practices around transparency and outsourcing have evolved.

AIMA CEO Jack Inglis said: "Fund administrators are an essential part of the alternative investment ecosystem and their role has never been more important as regulations and standards have evolved since the financial crisis. We believe our new guide will be a valuable tool for alternative investment managers when it comes to navigating this complex but vital space."

The working group included representatives from PwC and SS&C GlobeOp, which co-sponsored the guide, plus Irish Funds, Morgan Stanley Fund Services, Deutsche Bank, and more.

Edwin Chan, senior director for business development in Europe, the Middle East and Africa at SS&C GlobeOp, said: "The working group suggested investment managers choose an administrator based on the following criteria: the administrator provides full transparency, is a leader in technology development, and has the capacity to become a true partner."

"To have a successful long-term partnership with an administrator, an investment manager should choose a provider that can meet current needs and can scale to support future needs."

"Today's alternative fund management environment is evolving quickly. This guide will help investment managers navigate the changes efficiently and confidently."

Ken Owens, asset and wealth management partner at PwC Ireland, added: "Ireland is the leading global centre for the administration of alternative funds and we are sure that this updated guide will be a valuable tool both to the fund administration industry and to the managers and other stakeholders who use the services of, or interact regularly with, fund administrators."

Financial firms seek blockchain buffs

The increased use of blockchain technology in financial services is leading institutions to seek new recruits with skills in the technology, according to research from recruiter Robert Half.

In the survey of financial services executives, 52 percent said said they have already invested in blockchain projects.

A further 30 percent said they are planning to invest in the technology, and 14 percent said that, although they think they should be considering investment, they have no plans to at the moment.

According to the survey report, this means there is increasing demand for employees with the skills to help firms get the best of the technology.

Particularly, 51 percent of respondents said they are seeking professionals with understanding of blockchain for trading technology, and 47 percent said they are looking for those with blockchain programming capabilities.

Blockchain-based analytics and portfolio management skills were also desirable for 44 percent and 43 percent, respectively.

Of those that have already implemented the technology, 54 percent said they have seen increased transparency as a result.

The same number said they have seen increased empowerment for users.

Some 42 percent said they have already seen faster transactions.

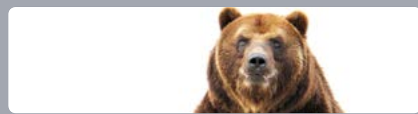
Further, a vast majority of all respondents, 85 percent, said they think blockchain will have made a "genuine impact" on the financial services industry by 2022.

Matt Weston, director at Robert Half Financial Services, said: "Automation is changing the face of business, and particularly so within the skills and roles within the financial services industry."

He added: "With financial crime and compliance high on the priority lists for many senior leaders in financial services, attracting skilled specialists to support the implantation is key."

"To keep up with the rapidly changing skill and role development, companies who adopt a flexible recruitment strategy will be best placed to adapt their resource requirements during this change."

Asset Servicing Times issue 169



Hyperledger Fabric 1.0 goes live

Blockchain developer Hyperledger has achieved a "huge milestone" with the launch of Hyperledger Fabric 1.0, according to Chris Ferris, IBM's chief technology officer for open technology.

Hyperledger is an open-source collaborative initiative hosted by The Linux Foundation that is aimed at developing cross-industry blockchain technologies.

Ferris, who is also chair of Hyperledger technical steering committee, said: "It is amazing to see what this highly collaborative community with more than 145 members has achieved in a little over a year."

The Hyperledger is supported by 159 developers including the Depository Trust & Clearing Corporation, State Street, Digital Asset, and Cloudsoft. Hyperledger Fabric was the first of the eight Hyperledger projects to be incubated and was also the first of the Hyperledger projects to achieve 'active' status in March, after a year in incubation.

In reference to the 1.0 status of the Hyperledger Fabric launch, Ferris said: "No open-source project is ever 'done', and the same can be said for Hyperledger Fabric."

He continued: "We also have more work to do on performance and of course we have plans to add more comprehensive performance, scale and chaotic testing to our continuous integration pipeline to continue to add to the robustness of the platform."

"However, the project's maintainers felt that the time was ripe to deliver a robust initial major release with the objective of allowing consumers and vendors of technology based on Hyperledger Fabric to advance to the next stage: production deployment and operations."

New working group forms to champion innovation in French funds industry

Euroclear has launched a new working group exploring ways in which innovation can make French fund distribution more efficient, and more in line with international investor expectations.

The group will be chaired by independent management consultancy Ailancy, and intends to improve the French distribution model for both domestic and foreign investors.

Experts from the buy side, sell side, market infrastructures and industry associations are invited to join the group, considering how new technologies such as blockchain could add value to the funds industry.

Northern Trust commits to EU hub

Northern Trust is setting up a banking presence in Luxembourg, and has appointed a new head of continental Europe, in a move that is "further establishing its commitment to the region".

David Wicks will take on the newly-created position, subject to regulatory approval. He will report to Teresa Parker, president of Northern Trust in Europe, the Middle East and Africa (EMEA).

Parker said: "The creation of our EU banking presence in Luxembourg, which will fall under David Wicks's leadership in his new role, highlights our commitment to growing our business in continental Europe."

She added: "David Wicks's strong client focus, in-depth knowledge of our business operations and strategic objectives will help continue to ensure we are well placed to support our clients' requirements."

The news follows the February announcement that Northern Trust will acquire the fund administration servicing units of UBS Asset Management, in Luxembourg and Switzerland.

The acquisition is still subject to regulatory and board approvals, and is expected to close later in the year. However, when it is complete, it will establish Northern Trust as a top-10 asset servicing provider in Luxembourg, in terms of assets under administration.

Nicolas Mackel, CEO of Luxembourg for Finance, commented: "We are delighted that Northern Trust, one of the world's biggest financial services companies, has chosen Luxembourg as a base to expand within the European Union. Its decision is further recognition of the cross-border expertise and crucial strategic position of Luxembourg for non-EU financial services companies."

Wicks will lead Northern Trust's business in continental Europe, working closely with Clive Bellows, head of the bank's Global Fund Services business across the EMEA region.

Wicks has been at Northern Trust for 20 years, most recently holding the position of regional executive for enterprise operations for the EMEA region.

In his new role, he will be responsible for developing strategy, regulatory oversight and governance, and will oversee client relationships in Northern Trust's institutional investor group.

Euroclear intends to publish a report in early 2018, setting out concrete plans for reinforcing fund structures, based on the findings of the working group.

Brigitte Daurelle, CEO of the Euroclear Settlement of Euronext-zone Securities central securities depositories, commented: "While France already offers a robust and efficient funds infrastructure, it must continue to look at innovative ways to make its funds industry even more competitive. This working group will do that and more, providing a roadmap for future development that we can put into action together."

Thibaut de Lajudie, partner at Ailancy, said: "This working group will unite all the stakeholders of the value chain. It is a great opportunity for the Paris marketplace to speed up the innovation trend and improve its competitiveness."

"We are very excited to have the opportunity to lead this group, mostly because we observe a great commitment and interest among participants when we drive innovation projects."

Eric Pinon, president of the French Asset Management Association (AFG), said: "In the international competition, all improving processes aiming to increase the visibility and distribution of French investment funds abroad as well as to enhance customer knowledge are actively supported by the AFG."

"Moreover, a wider expansion of technological innovations will contribute to enhance the French asset management industry at the international level."

Clearstream sets sights on CSDR

Deutsche Börse subsidiary Clearstream is set to apply for new licences to operate under the Central Securities Depositories Regulation (CSDR).

CSDR obligations require Europe's CSDs to submit application files to local regulators by 30 September 2017.

Clearstream expects authorisations to be granted from mid-May 2018 onwards.

"This will be a first step to even further bolster safety and stability across Europe's capital markets in a post-financial crisis world," Clearstream explained.

"As the new regulatory keystone for the sector, CSDR aims to harmonise the different rules that apply to European CSDs in order to create an improved and level playing field for the industry, and enhance legal and operational conditions for EU-wide cross border settlement via Target2-Securities."

Clearstream global securities financing volume fell by 13 percent in June.

Monthly volumes hit €452.7 billion last month, down from €520.8 billion at the same time last year.

Year-to-date average volume was also down 11 percent compared to 2016, falling to €470.5 billion from €527.4 billion.

European banks join forces on blockchain

Paris Europlace, along with seven European banking partners, has launched LiquidShare, a post-trading blockchain infrastructure for the small and medium-sized enterprise (SME) market.

BNP Paribas, Caceis, Caisse des Dépôts, Euroclear, Euronext, S2iEM and Societe Generale are all stakeholders in what will become an independent company with the aim of improving SMEs' access to capital markets, improving the transparency and security of post-trading operations using blockchain technology.

In a joint statement on the launch, the partnership said: "With the financial support of its shareholders, the company aims to develop and operate a post-trading infrastructure that will serve these companies specifically. Eventually, the solution aims to reduce transaction costs."

LiquidShare harnesses blockchain technology, using a virtual ledger that assembles data for shared distribution between different users.

This technology has the potential to dramatically simplify the chain of post-trade operations, guaranteeing and facilitating the consolidation of securities registers, all while enabling a higher speed of execution with real-time settlement at T+0.

LiquidShare will be based in Paris and led by Thibaud de Maintenant, who will act as CEO.

According to de Maintenant, he will combine functional and technical expertise with innovative solutions to work towards the company's goal.

Anthony Attia, managing board member of Euronext, will be LiquidShare's chairman of the supervisory board.

de Maintenant said: "With the launch of LiquidShare, we will use the great potential of the blockchain technology to become a key player in the post-trade industry. Supported

UBS secures Chinese private fund management licence

UBS Asset Management has been granted a private fund management licence from the Asset Management Association of China (AMAC).

The licence will allow UBS's wholly foreign-owned enterprise, UBS Asset Management (Shanghai), to offer onshore fixed income, equity, and multi-asset private funds to investors in China.

UBS Asset Management is the first qualified domestic limited partner licence holder to receive a private fund management licence in the country.

UBS entered into a joint venture with the State Development & Investment Corporation (SDIC) in 2005, forming UBS SDIC Fund Management. In 2011, the Shanghai enterprise was formed, helping to secure the company's reach into China.

Rene Buehlmann, group managing director and head of the Asia Pacific region at UBS Asset Management, said: "Securing the licence expands the breadth and depth of our domestic offering, complements our offshore capabilities and, importantly, demonstrates our continued support of China in its efforts to open its capital markets to the world."

He added: "With the addition of the private fund management licence, augmented by our other platforms in China, we can provide a broad range of services to onshore and global clients. It also allows us to work more closely with subsidiaries of global firms in China to meet their domestic investment needs."

Aries Tung, managing director and head of strategy and business development for China at UBS, said: "With the continued liberalisation of China's economy, domestic investors can be expected to seek to diversify their investments across a broad and expanding range of traditional and alternative asset classes and geographies."

"UBS is well positioned to help them build portfolios which not only have the potential to generate reasonable returns but also diversify downside risk."

Private debt added to SimCorp Dimension

SimCorp has added a private debt module to its SimCorp Dimension investment platform, in partnership with Danish pension fund PKA.

According to SimCorp, the new module comes as a response to the changing requirements of asset management firms as adoption of multi-asset class strategies continues.

It is also part of the firm's ongoing focus on alternative investment, and on creating integrated solutions to meet investors' needs to diversify as they seek risk-adjusted yields in a low-interest rate environment.

The new module supports syndicated, term, direct, bilateral, bank and commercial loans. It can be incorporated across the entire investment value chain from front to back office, using SimCorp's investment book of record (IBOR) tool.

According to an InvestOps report commissioned by SimCorp earlier this year, private debt is the number one source of new liquidity for buy-side firms in North America, with 36 percent of respondents saying they favour this, more than selected either securities lending or derivatives.

Sofie Klarskov Simonsen, senior financial analyst at PKA, which has more than €33 billion in assets under management, commented: "With low interest rates and a rapidly growing number of financial instruments available, we've had to think out of the box to ensure we are able to pay out future pensions to our members. Private debt is now quite a large portfolio, alongside real estate. Its risk-return ratio is particularly attractive to pension funds like us, and compatible with our long-term strategies."

"The new private debt module, supported by SimCorp's IBOR, means we have a front-to-back view of our private debt transactions. It is a new module with immense potential, which, when further enhanced, will play a significant role in our performance and reduce our operational risk significantly."

Igor Gramatikovski, securities product manager at SimCorp, commented: "By partnering with PKA and using their vast experience with private debt investments, together with feedback from our wider client base, we've been able to address several key challenges to this unique type of investment."

"We are committed to ensuring that our investment platform delivers a strong offering across alternative asset classes, in line with changing market requirements and client demands."

by shareholders across the European financial market ecosystem, this initiative is the first of its kind."

Falcon group launches blockchain asset management service

Falcon Group has become the first Swiss private bank to offer a blockchain asset management solution, through a partnership with Bitcoin Suisse.

The move comes following approval from the Swiss Financial Market Supervisory Authority (FINMA) for bitcoin asset management, and Falcon's recent partnership with Move Digital, a provider of digital asset management and investment advisory systems.

Falcon clients will be able to exchange and hold bitcoin using their cash holdings, and will gain access to blockchain assets with a convenient storage process.

According to Falcon, the new product represents a change in focus towards providing a unique client experience and digital excellence.

Arthur Vayloyan, global head of products and services at Falcon Private Bank, said: "This is a further tangible element of our new strategy. We are proud to be the first mover in the Swiss private banking area to provide blockchain asset management for our clients."

"Falcon is convinced that the time is right to enter this nascent market and it is our firm belief that this new product will fulfil our clients' future needs."

Niklas Nikolajsen, CEO of Bitcoin Suisse, added: "It has been a pleasure assisting Falcon in realising this new product, which is nothing less than a historic milestone for the entire crypto space."

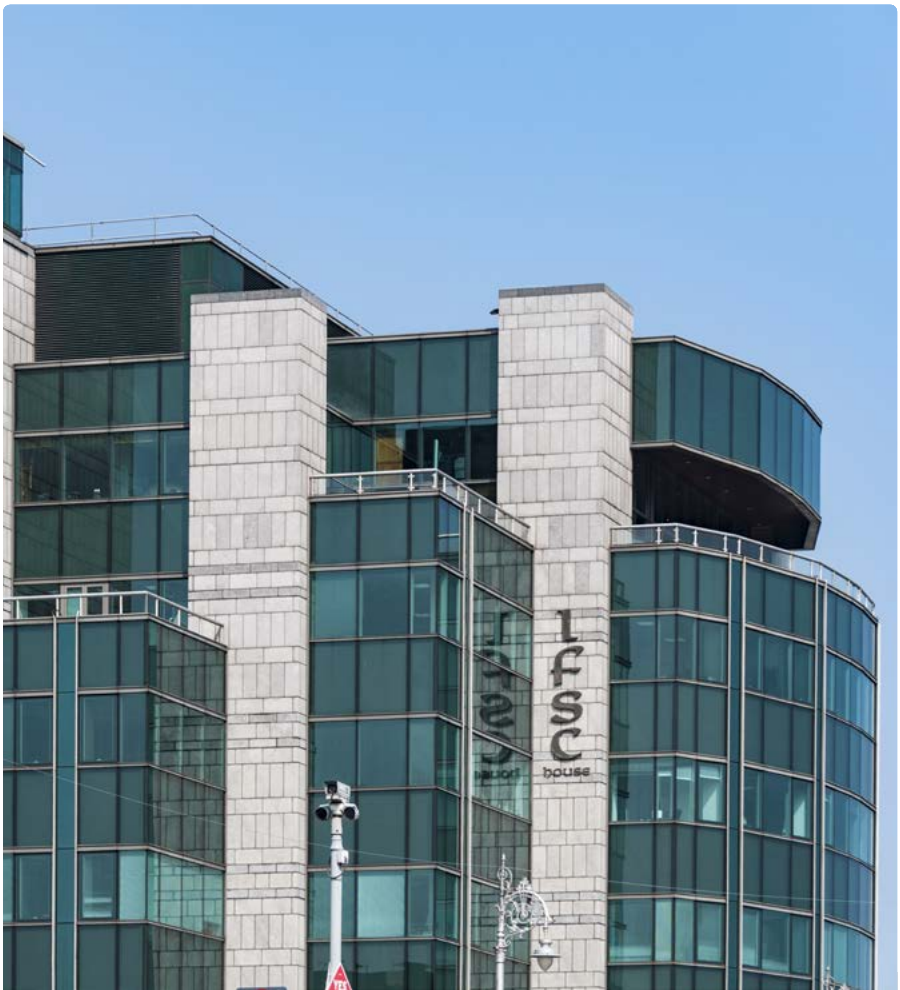
R3 working with Intel on Corda security

R3 is collaborating with Intel to improve data privacy and security for Corda, its distributed ledger technology platform.

According to R3, Corda already only sends information on a 'need-to-know' basis, allowing for confidentiality of trades and agreements while also capturing the benefits of a distributed infrastructure

Through the collaboration, Intel's new Xeon Scalable processor will add further privacy and security capabilities to the Corda platform.

Mike Hearn, lead platform engineer at R3, said: "By partnering with Intel we will be



T7 goes live at Irish Stock Exchange

The Irish Stock Exchange (ISE) has migrated to Deutsche Börse's new T7 trading platform, in a bid to improve the performance of its equity marketing offering.

The T7 trading technology is designed to reduce costs for international trading firms, making it easier for them to connect and trade equities on the ISE, while also reducing latency for all trading members.

Brian Healy, director of traded markets, development and operations at the ISE, said: "The ISE is delighted to announce our successful migration to the state-of-the-art and proven T7 trading technology."

"This represents another milestone in our strategic partnership with Deutsche Börse, one of the leading exchange infrastructure providers globally."

He added: "The new technology provides enhanced value to Irish market participants, and enables us to further develop trading capabilities and capacity for our members in the years ahead."

Holger Wohlenberg, managing director of Deutsche Börse market data and services, said: "The decision to migrate to our T7 trading technology is another re-confirmation for the quality and reliability of our IT services and technology solutions."

"The Irish Stock Exchange will continue to benefit from our continuously improved cash market technology and a broad international network of market participants."

The T7 technology is already in use by Eurex Exchange, the European Energy Exchange and the Bombay Stock Exchange. The Vienna Stock Exchange is scheduled to migrate to the new infrastructure on 31 July.

Earlier this month, Deutsche Börse's Xetra trading platform migrated to its new T7 facility for the Frankfurt Stock Exchange.

able to give Corda users more class-leading features as we continue to set the standard in DLT data privacy. Corda addresses multiple problems identified by our 80-plus members across the globe, but transaction privacy is usually the top issue blocking real-world deployment. We're very happy to be developing new solutions to this problem by working with Intel."

Rick Echevarria, vice president of the software and services group and general manager of the platforms security division at Intel Corporation, added: "R3's collaborative approach and Corda platform places R3 in a unique position to drive the evolution of market infrastructure for the next generation of financial services."

Broadridge acquires Spence Johnson

Broadridge is expanding its data and analytics solution with the acquisition of Spence Johnson, a provider of institutional data and intelligence to the asset management industry.

Terms of the deal were not disclosed.

Spence Johnson's Money in Motion product will be combined with Broadridge's global market intelligence solution, bringing retail and institutional data and analytics together in a single product.

Through pairing its global retail fund data and analytics solution with Spence Johnson's institutional data, market intelligence and insight capabilities, Broadridge intends to provide asset management clients with a more holistic global market view.

Stephanie Clarke, senior vice president of Broadridge's Global Market Intelligence business, said: "Combining Broadridge's and Spence Johnson's powerful data and analytics solutions will position Broadridge to provide our clients the ability to perform complete cross channel analysis, enabling unique geographic, market and product views."

She added: "The ability to measure and benchmark the market by geography, channel and product will be a significant advancement in asset management industry data, analytics and insight."

Magnus Spence, co-founder and CEO of Spence Johnson, commented: "Spence Johnson is proud to join Broadridge and together provide the industry with an unprecedented view of the asset management marketplace."

He said: "Our combined data and analytics will better enable us to provide our clients with the data and insights needed to identify growth opportunities."

A friend in fintech?

There's no doubt that fintech is here to stay, but what does it really mean for the financial services industry? Stephanie Palmer looks at two very different research papers to compare the challenges on either side of the debate

With the rise of ecommerce, Uber, Airbnb and faster payments, the digital revolution is an ever-present reality of everyday life.

However, the effects of this seismic shift on financial services providers remains somewhat uncertain, with potentially groundbreaking technologies remaining at fledging levels, and industry participants at odds about the effects they could have.

The Multifonds Every Fund Survey 2017 suggested that asset managers have not yet felt the effects of rapid technological change.

But, with low interest rates, investors demanding lower fees and consistent returns, financial and political uncertainty, and regulation and compliance costs, there is finally a significant driver for change.

The survey cites a "tsunami of regulation" following the 2008 financial crisis, suggesting that this has increased the strain on asset managers to meet requirements across back- and middle-office systems, and pressure to innovate.

Indeed, regulation emerged from the Multifonds survey as the top business challenge, with 65 percent of respondents naming it as one of their top three concerns.This was followed by fee pressure, considered a top-three challenge by 54 percent, and reducing costs, named by 37 percent.

Multifonds CEO Keith Hale said when the survey was launched in June: "Asset managers are facing a real profitability squeeze as the cost of regulation continues to go up while investors expect fees to go down. How much further can the margins be pushed before the industry recognises that it needs a complete overhaul?"

The move towards financial technology is also evident in the EY FinTech Adoption Index 2017, also released last month.

While average fintech adoption, globally, stands at 33 percent, the survey found that, looking at the emerging markets of Brazil, China, India, Mexico and the rest of South America, this increases to 46 percent.

The report said: "This is because fintech firms excel at tapping into the tech-literate, but financially underserved population, of which there are particularly high ratios in emerging countries."

Fintech adoption is highest in China (69 percent) and India (52 percent), followed by the UK (42 percent), Brazil (40 percent) and Australia and Spain (both 37 percent).

The report said: "Fintech firms are establishing themselves not only as significant players in the industry, but also as the benchmark for financial services."

In the Multifonds survey, some 61 percent of respondents said they believe there is a threat of a game-changing fintech disruptor coming into the market, up from 54 percent who thought this was the case 12 months ago.

However, the report also noted that there is "considerable skepticism" around the ability for an outsider to enter and operate in the market, mainly because of the sheer complexity of setting up.

But this mindset doesn't appear to correlate with EY's data. The fintech adoption index launched in 2015 with six original markets: Australia, Canada, Hong Kong, Singapore, the UK and the US.

The Multifonds Every Fund Survey 2017 was conducted in March and April 2017, and received 214 responses from asset management industry participants including third-party administrators, asset managers, custodians and asset owners. Respondents were from the EMEA region (64 percent), North America (21 percent) and Asia (11 percent).

Between 2015 and 2017, the UK and Australia saw significant increases in fintech take-up, from 13 to 37 percent in Australia and from 14 to 42 percent in the UK.

Each of the six markets registered an increase in fintech take-up, with the smallest jump seen in Hong Kong. This started with a relatively high 29 percent, increasing to 32 percent in 2017.

Respondents were also asked what they perceive to be the biggest barriers to adoption of fintech.

Almost universally, where results are available, fewer respondents said they would now favour a traditional financial services provider over a fintech startup.

In Australia, for example, 23 percent said they would prefer to use a traditional provider in 2015, a figure that dropped to just 10 percent in 2017.

In the US, this figure fell from 22 percent to 13 percent, and in the UK, it fell from 14 percent to a mere 5 percent.

Again, Hong Kong stood out, this time as the only market where the trend was reversed. Here, in 2015, only 11 percent said they would prefer to use a traditional service provider, compared to 12 percent in 2017.

Generally, this data implies that trust in fintech services has increased significantly over just two years.

With regards to barriers to entry, respondents to the Multifonds survey perceived regulatory compliance to be the biggest barrier to entry for new fintech disruptors, named by 69 percent.

This was followed by back-office complexity, named as a challenge to startups by 33 percent.

Being able to offer appropriate investment products was considered a barrier to disruptors by 24 percent, while technology capability was, predictably, not considered a major issue, named as a challenge by only 14 percent.

The report said: “Getting up to speed in the post-2008 regulatory environment is therefore seen as the most difficult step to entering the asset management industry, and is potentially what has held off game-changing disruption that has been seen across so many other industries.”

However, some 92 percent of survey respondents said they think innovation will increase in the asset management industry over the next two years, and 47 percent said this increase will be “significant”.

The report boldly claimed that “the threat of external disruption seems a practical improbability”, adding: “There is certainly increasing recognition that game-changing innovation needs to come from within the asset management industry.”

Conversely, the EY report observed that, although there are regional variations, regulation could in fact have the opposite effect for startups.

It said: “Regulation plays a part in enabling new entrants and offerings in fintech, and particularly in money transfer and payments, and insurance services. In some markets, new regulation creates opportunities for new fintech firms and services, such as the Payment Service Directives (PSD) and PSD2 across the eurozone, which triggered open banking, and the launch of new ‘payments banks’ licenses in India, which introduced greater competition.”

“In other markets, such as China, open regulations allow both fintech and non-financial services firms to innovate how financial services products are offered, which enables their mobile leadership.”

The report also noted that some regulators, such as the UK’s Financial Conduct Authority, are encouraging fintech development through sandboxes, task forces, and steering groups.

“For policymakers in developed markets, fintech is seen to be a means of encouraging economic activity, improving industry efficiency and providing better services to consumers.”

“New regulations, rather than being perceived as an unwanted burden by fintech firms, are viewed as an acknowledgement of their legitimacy by the ultimate authorities.”

It added: “[Fintechs] also benefit from a ‘leapfrog’ effect in being able to implement newer technologies without having to address legacy systems.”

One thing that both papers appear to agree on is that the answer lies in some kind of collaboration involving the fintech startups, the regulators, the incumbent institutions and the investors.

The EY report said: “The industry stands to benefit from the cross-fertilisation of ideas, talent and innovation.”

The Multifonds paper went into more detail, saying: “Established financial services firms face both ‘unbundling’ and ‘rebundling’ of their propositions, resulting in disruption of traditional customer relationships.”

“However, this also creates opportunities for startups and established firms to collaborate. Investment and regulatory support will continue to play a role in stabilising the development of the fintech industry, which will benefit consumers.”

Hale concluded: “The wider industry is now in a position where it must replace fragmented functions and systems with highly efficient processes using scalable modern technology, or risk being disrupted into the history.” AST

The EY FinTech Adoption Index 2017 is based on more than 22,000 online interviews with ‘digitally active’ adults.

A ‘one market, one vote’ approach is intended to provide a global, cross-market perspective on themes and trends. It now includes 21 markets spanning Europe, the Americas, Africa and Asia.

The study quizzes respondents on 17 fintech services, split into five categories: money transfer and payments, financial planning, savings and investments, borrowing, and insurance.

Front and central

Drew Nicol and BNY Mellon's James Slater discuss the results of a joint research study with PwC exploring buy-side opinions on central counterparties, incoming collateral rules and the rise of peer-to-peer lending

Buy-side participants appear to be warming to the idea of a central clearing option in the marketplace. What's changed?

As central clearing continues to advance in financial markets, regulators are showing greater interest in how they can support or promote their development, especially in the securities financing space.

For example, the Federal Reserve Bank of Chicago dedicated roughly a third of its recent symposium on financial markets to the role of central counterparties (CCPs). That gives you an idea of how engaged regulators are becoming on central clearing issues and how they are creating a dialogue with the industry on how best to move forward.

Through our research study with PwC, we learned that the buy side was surprised that central clearing in the securities financing market has not advanced at a quicker pace.

Many respondents noted they had experience with central clearing in other products and when questioned as to why this hadn't expanded into securities financing, it became clear that the buy side was somewhat unsatisfied with some of the operating models that were initially proposed.

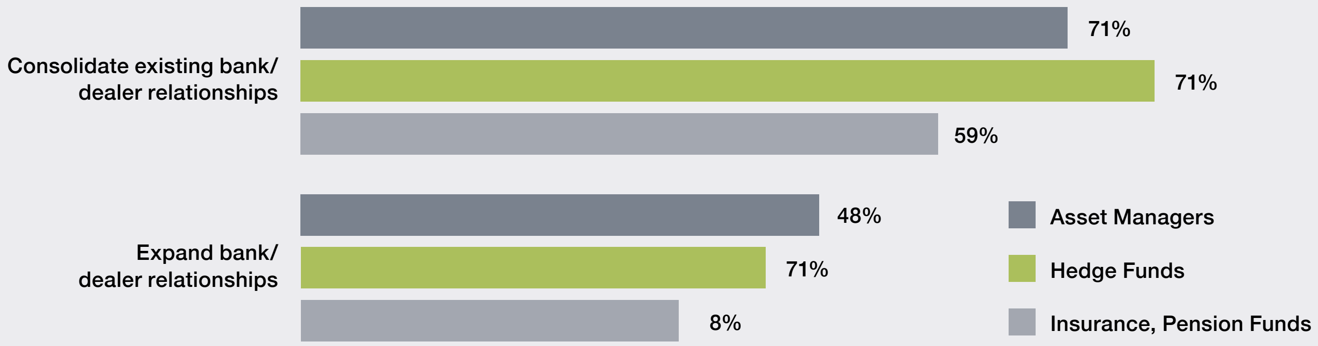
Study respondents reported that classic concerns relating to CCPs still persisted in the market. What would you consider these to be?

The current securities financing CCP models are predominantly sell side to sell side. The buy side is not very active at all.

A lot of that has to do with the risk dynamics of the models available. Central clearing for securities financing transactions was developed for the sell side with some scale, but the model for the buy side is still evolving. It's certainly starting to take shape, but at a slower pace.

The Fixed Income Clearing Corporation's (FICC) sponsored membership programme is gathering more interest, while Eurex and EuroCCP, along with others in Europe, are also advancing their models.

How do you plan to manage your relationships with banks/dealers?



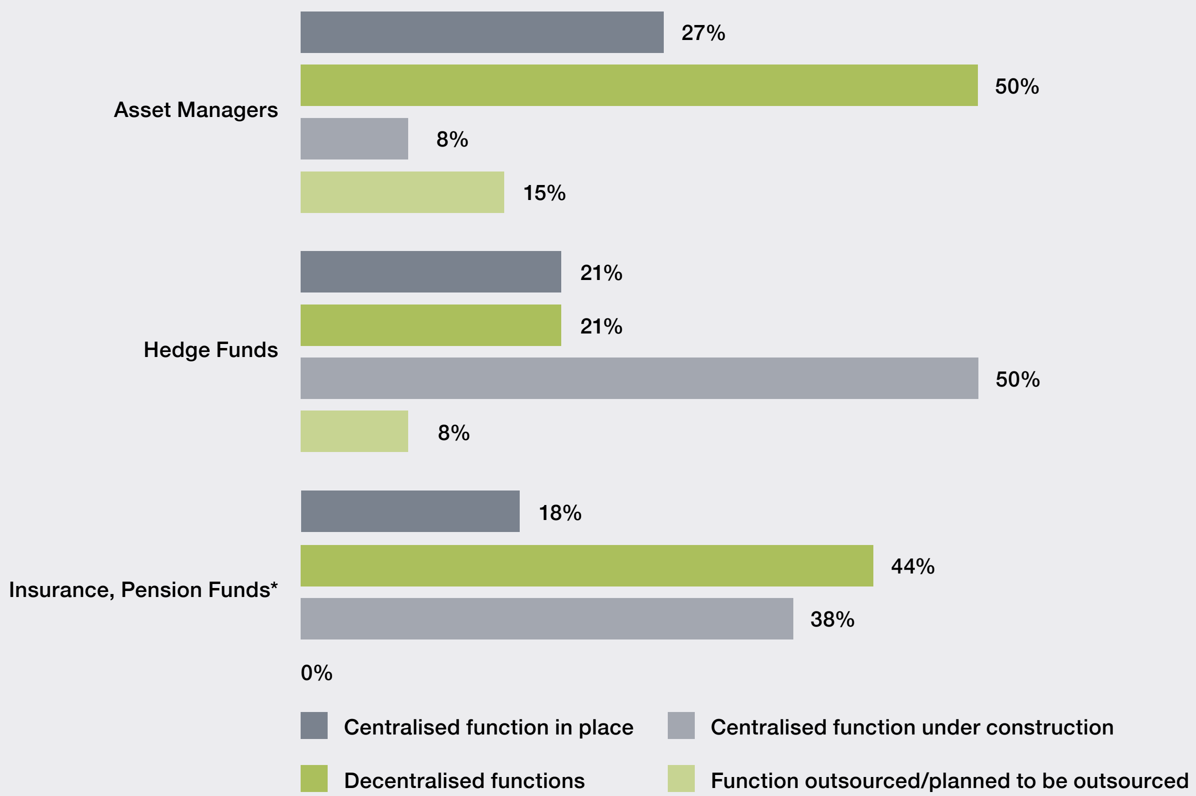
Source: BNYM-PwC Buy-side Outreach *bnymellon.com*

The buy side is attracted to these solutions because of the risk management and creditworthiness of CCPs, but buy-side participants don't want to tie up a portion of their cash by contributing to default funds. They also don't want to share in the mutualisation of risk, partly from a principled standpoint but also because some buy-side firms are prohibited by law from doing so. For example, '40 Act funds are clear that they simply cannot be involved in the mutualisation of risk or provide assets as collateral. That's why some of these funds are showing interest in the FICC sponsored membership programme because it offers a way around that regulatory hurdle.

Pension funds and insurance companies described the ongoing existence of credit indemnification as a critical consideration in their continued participation in the market. How do you see that playing out?

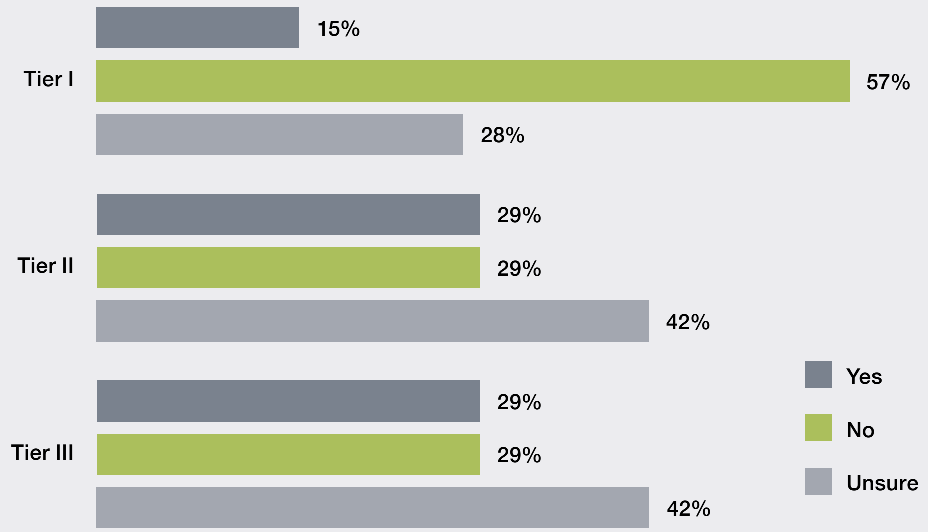
If you want broad participation of the buy side then the market will need to provide a solution for credit enhancement or intermediation. A lot of mid-sized corporate or public pension funds don't tend to have large credit departments with experienced teams to evaluate the creditworthiness of all the counterparties that a lending programme might expose you to.

What are your existing and planned capabilities for a centralised collateral, funding and liquidity function?



Source: BNYM-PwC Buy-side Outreach *bnymellon.com*

Do you expect to face challenges sourcing short-term liquidity/financing?



Source: BNYM-PwC Buy-side Outreach *bnymellon.com*

This means that lenders rely quite heavily on the indemnifications offered by their agents in order to satisfy their own internal risk management standards.

Peer-to-peer lending was mentioned as a key area of interest for both sides of the transaction. What are your thoughts on this emerging trend? Is it likely to gain traction?

Peer-to-peer is definitely an area of strongly growing interest and there was a great deal of enthusiasm among buy-side participants over the vast amounts of liquidity that could be unlocked through these platforms.

Finding counterparties and then negotiating individual trade documents is a fairly intensive process, and therefore there's a significant amount of interest in the development of technological solutions to streamline this process. BNY Mellon has developed a cash and collateral marketplace known as DBVX.

We expect to host other banks on this platform as well as non-dealers that will be able to deal directly with non-traditional counterparties. We expect DBVX will supplement existing sources of liquidity for the buy side rather than supplant them. DBVX will standardise financial legal terms in its documentation to allow for much more straightforward transactions. This standardisation will also take away a lot of the friction in negotiations.

Additionally, participants will also benefit not only from the price transparency that comes with using an electronic marketplace but also by marrying up risk management with pre-trade anonymity. The entire buy side is looking to protect themselves by finding new sources of liquidity and new counterparties. The exploration of both central clearing and peer-to-peer trading are two parallel avenues that are being explored to achieve that goal. In both instances, simplicity and ease-of-use came very high in the list of priorities of both buy- and sell-side participants looking for solutions to pursue.

Were there any surprises in the survey's results?

Honestly, I've been surprised and impressed by the progress the buy side has made in developing an understanding of the problems we face as a market and how proactive they are in taking steps to mitigate them.

The fact that more than half of respondents have either created a central funding and liquidity desk, or are in the process of doing so, shows how seriously they are taking the situation. AST

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James Slater, Executive vice president, BNY Mellon


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Liquidity manager/treasury manager

Alexander Ash

London

This top-tier investment bank is looking for a strong liquidity manager/treasury manager to join a treasury function which manages the capital, funding, liquidity risk and funds transfer pricing of the banking group

Market risk vice president

Selby Jennings

Hong Kong

A leading investment management firm is hiring for a market risk vice president to be based in Hong Kong. The candidate will lead a small team, and will focus on market risk management for multiple products

Client migration manager

HornbyChapman

London

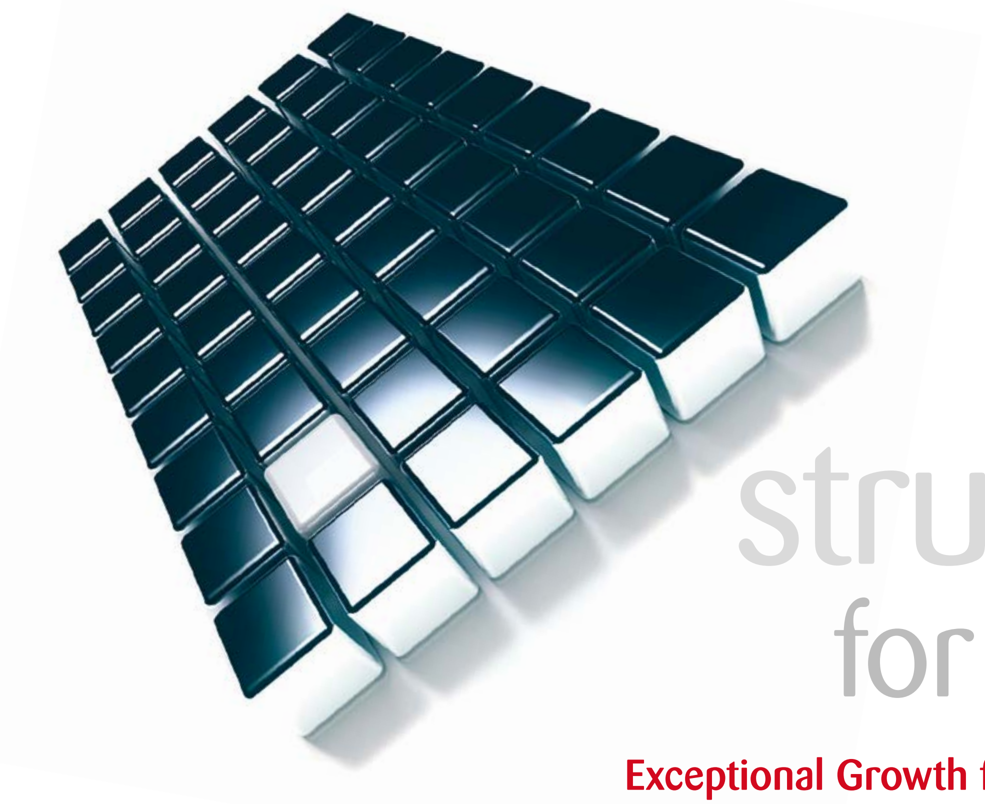
This client is working on a number of projects and is looking for a manager to have responsibility for all client data migration, plus managing all client 'touchpoint' impacts. This is a pivotal role and a strong, experienced migration manager is required

Implementation adviser

Bruin

Chester

A top-tier financial services firm is looking for an implementation advisor to join its treasury services team working with a range of multi-national clients



Comings and goings at BNY Mellon, Citi, Northern Trust and more

BNY Mellon has named Charles Scharf as CEO and director of the company, effective immediately.

Scharf will also become chairman of the board of directors on 1 January 2018.

He was CEO of Visa from October 2012 to December 2016, in which time he was credited with transforming the company into a technology-driven ecommerce giant.

Previously, Scharf was managing director of One Equity Partners, the private equity arm of J.P. Morgan Chase, and he has also served as CEO of retail financial services at J.P. Morgan Chase.

Scharf replaces Gerald Hassell, who will continue as chairman of the board until 31 December 2017.

Hassell said: “Charles Scharf is an accomplished and distinguished leader, with a record of profitably growing businesses, driving innovation and managing complex, large-scale global financial services organisations.”

He added: “It has been a privilege to lead BNY Mellon over the past six years. During this period, we have strengthened our position as a global leader in investment management and investment services and have delivered consistently against our 2014 Investor Day goals.”

“I am enormously proud of our team and what we have achieved together. With Charles Scharf at the helm, I know the future of the company is in good hands, and I look forward to working with him to ensure a seamless transition.”

Scharf said: “I am honoured to have been selected and am looking forward to working with the senior management team, the board of directors, and all of the employees at BNY Mellon.”

“I am especially honoured to follow Gerald Hassell as I have great respect for him as a person and as a leader. I look forward to his advice and counsel and will work closely with him to ensure a smooth transition.”

Citi has made three new senior hires to its custody and fund services team in Europe, the Middle East and Africa (EMEA).

Sean Tuffy joins as head of market and regulatory intelligence for the EMEA region, based in Dublin.

He will be responsible for analysing the effects of the global markets and regulatory developments on custody and fund services.

Tuffy joins from Brown Brothers Harriman (BBH), where he was head of strategy for Europe and Asia.

Martin Jacobs joins Citi as data product manager for the EMEA region.

In this role, he will support the implementation and improvement of the new Citi Velocity Clarity market intelligence programme.

He will also work on identifying other ways to improve Citi’s data management offering.

Previously, he spent 10 years at State Street, most recently leading the EMEA digitisation strategy for client engagement.

Both Tuffy and Jacobs will report to Pervaiz Panjwani, Citi’s head of custody and fund services for EMEA.

Gareth Myburgh is joining Citi as exchange-traded funds (ETF) product manager, working on advancing ETF offerings within the funds and custody platform.

Myburgh brings 15 years of experience in fund administration and ETF services.

He also joins from BBH, where he was a senior ETF manager, responsible for the design and implementation of operating models to support ETF clients.

All three roles are newly-created within the firm. They are the latest in a string of hires to the custody and fund services team, following the appointments of Matthew Bax in June and Aziz Ari in February.

Northern Trust has bolstered its global business development team with a series of senior appointments.

Shaun Flavin has become head of North American institutional sales, responsible for asset servicing sales, including global custody and transition management to large institutional investors in North America.

Andrea Perry has joined as senior client relationship manager at Northern Trust Canada, for the Atlantic region, serving both institutional investors and asset management firms.

Perry comes to Northern Trust from an investment management firm, where she was responsible for developing and executing business development strategy and growth initiatives specifically in Atlantic Canada.

Meanwhile, Nigel Colgan joins Northern Trust's institutional sales team in London, in the newly-created role of senior technology sales consultant for EMEA.

Colgan will engage with strategic asset owners and asset managers across the region on the breadth and depth of Northern Trust's technology solutions, to support investment decision making, execution, oversight and analytics.

Finally, Johnson Har has also joined as an institutional sales manager in Hong Kong.

Har will focus on bringing Northern Trust's solutions to asset owners and managers across China, Hong Kong, Taiwan and South Korea.

Penelope Biggs, head of strategy, corporate and institutional services at Northern Trust, said: "As our institutional client base grows across all regions, we continue to bring in talented professionals with the skills and experience our clients seek and the specific expertise to position our innovative technology in very competitive markets."

She added: "These appointments will drive our momentum and proactive approach in supporting the evolving needs of clients, through advanced operating models and scalable technology designed to deliver an optimum transparency and data governance experience."

The US Commodity Futures Trading Commission (CFTC) has appointed Daniel Gorfine as director of LabCFTC and chief innovation officer, effective immediately.

In his new role, Gorfine will be responsible for coordinating closely with international regulatory bodies, other US regulators and Capitol Hill to discuss best practices around implementing digital and agile regulatory frameworks and approaches for the CFTC.

LabCFTC is the CFTC's fintech initiative aimed at informing its understanding of new technologies.

Previously, Gorfine was vice president of external affairs and associate general counsel at small business lender OnDeck.

Before this, he served as director of financial markets policy and legal counsel at the Milken Institute think tank, where he focused on financial innovation, capital access and financial market policy.

He is also currently an adjunct professor of law at the Georgetown University Law School, teaching financial technology law and policy.

Acting CFTC chair Christopher Giancarlo said: "Daniel Gorfine is a well-respected leader whose expertise in market-enhancing fintech will help the CFTC disrupt the status quo and change the way government interacts with our ever-innovating marketplace."

"Daniel Gorfine's addition to the team will move our LabCFTC initiative into its next phase and will further our efforts to make the CFTC a 21st century regulator for our 21st century digital markets."

Gorfine added: "New technologies are increasingly transforming financial markets and services, and have the potential to positively impact market competition and efficiency, as well as how we transact, allocate and move capital, and make financial decisions."

"I am grateful to have this opportunity to implement the vision articulated by acting chairman Giancarlo in order to promote market-enhancing fintech innovation and incorporate emerging regulatory technologies that can help make the CFTC a 21st century digital regulator." **AST**

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