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R3 and Synechron in DLT KYC solution

Financial services consultant and technology provider Synechron is collaborating with R3 to build a solution for know-your-client (KYC) processes using distributed ledger technology (DLT).

The project, known as LEIA 2, will use Corda, R3's financial-grade distributed ledger, to create a solution addressing issues of data collection and validation, customer experience and data privacy—all issues that currently affect KYC in corporate banking.

It will be designed to fit into the existing framework of in-house and external data providers, but, according to Synechron, the hope is that it will also be part of a movement towards a "more disruptive vision" for banking processes.

The solution will focus on building a point-to-point, secure solution that takes a step towards creating verifiable corporate data, while furthering the process of reducing the cost of KYC processing, and creating a self-sovereign corporate digital identity.

Using DLT will allow for validated and trusted data, without the possibility of tampering. The distribution models also mean data owners can have full control over the distribution of their identity data.

The project also involves 12 banks from around the world. It kicked off in July, with a three-month period in which to identify the objectives and business requirements of the group, define a rough schedule, and to develop a functional prototype on the Corda platform.

Once the project is complete, Synechron intends to run a demonstration in its Financial Innovation Labs in New York and Charlotte.

Faisal Husain, CEO of Synechron, said: "DLT will improve current processes and improve experiences for both banks and customers. The work R3 is doing to provide a trusted platform and bring together the ecosystem of players for such a robust use case is incredibly significant to the future of KYC and financial services."

Manual processes rife in reporting

Asset managers consider client reporting important, but a significant number still tackle the issue using manual processes, according to research from SS&C.

The research, conducted at this year's The Summit for Asset Management conferences in London and New York, found that 75.5 percent of respondents consider client reporting 'extremely important' to their firm's acquisition and retention strategy.

The remaining 24.5 percent also said they consider it 'somewhat important'.

However, when asked how they create client reports, responses varied significantly, with 31 percent saying they still create client reports using "primarily a manual process".

Almost a third, 28 percent, said they use a system that was developed in house, while 26 percent said they use a system provided by a vendor. Only 8 percent said they outsource client reporting to a third party, while 7 percent use a line-of-business system.

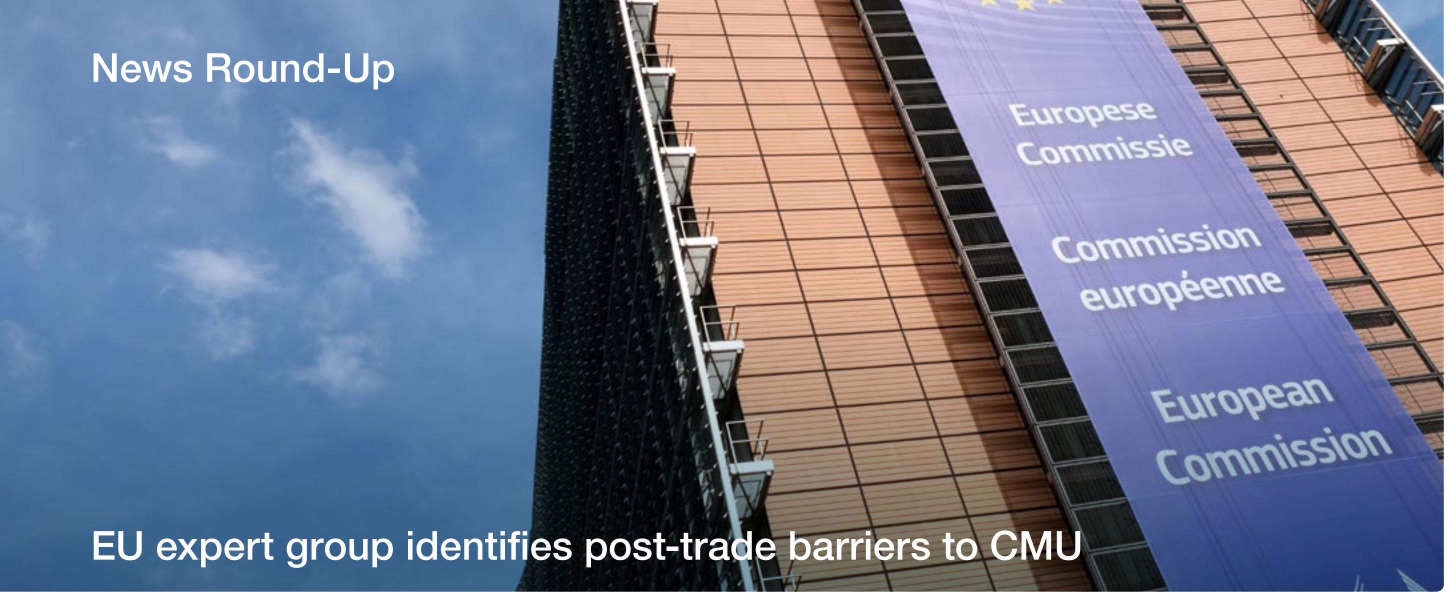
The survey revealed that the vast majority of respondents are either currently investing in client reporting, or will be within the next 12 months.

Some 43.3 percent are currently investing, while a further 8.2 percent plan to invest in the next six months, and 34 percent plan to invest in the next 12 months. Only 14.4 percent said they have no plans to invest at all.

SS&C also found that the most important client communications objective is "enabling business users to respond faster to ad hoc client requests", followed by improving the quality of online and mobile client communications and meeting expectations for personalised communication.

However, other objectives such as meeting expectations for more customised reporting, and increasing control and auditability of reporting processes, were also considered to be relatively important.

Continued on page 6



EU expert group identifies post-trade barriers to CMU

The European Post-Trade Forum (EPTF) has identified the remaining barriers to efficient and resilient market infrastructures in the EU, and added some new issues to the list.

In a report written in May and released on 23 August, the EPTF, a European Commission expert group, assessed the "state of removal of the Giovanni Barriers". It listed those yet to be dismantled, and identified new barriers and bottlenecks that could hamper the development of a "true capital markets union (CMU)".

The Giovanni Barriers were identified in 2003 as issues that prevent efficient cross-border clearing and settlement in the EU. Since then, the EPTF noted, derivatives markets, securities finance activities, collateral management and post-trade reporting have become much more developed, while new products and new barriers have emerged.

This means a "semantic transposition" of the original barriers would not be possible. Therefore, the new barriers will be termed the EPTF Barriers.

According to EPTF, significant operational barriers include fragmentation in corporate actions and general meeting processes, a lack of convergence in information messaging services, and a lack of harmonisation in exchange-traded fund processes—a point that did not appear in the original Giovanni Barriers.

Identified structural barriers include inconsistent application of asset segregation rules for securities accounts, a lack of harmonisation of registration rules and shareholder identification, and complexity of post-trade reporting structures.

The EPTF also "refined and combined" two existing Giovanni Barriers into a fourth structural barrier, namely unresolved issues around International Securities Identification Numbers.

Regarding the three legal barriers identified in the Giovanni Reports, the EPTF said: "Progress in removing the barriers has remained limited and the rationale for such reforms is unchanged."

The group also noted additional legal shortcomings highlighted by the 2008 financial crisis.

Uncertainty around the legal soundness of intermediaries' risk mitigation techniques, and of default management procedures, as well as deficiencies in the protection of client assets, shortcomings in EU rules around finality, and uncertainty around ownership rights in book-entry securities, all remain as legal barriers.

One tax-related barrier was also identified in the "prevailing withholding tax regimes, that are currently characterised by various shortcomings, such as lack of tax exemption at source, non-harmonised reclaim procedures and, in certain member states, unduly long repayment periods".

Welcoming the report, the Association for Financial Markets in Europe (AFME) suggested that this tax barrier should be given high priority for resolution, along with legal inconsistencies and fragmented corporate actions processes.

AFME also named inconsistent asset segregation rules, lack of harmonisation in registration and investor identification, and complexity in post-trade reporting as issues that should be of "the highest priority".

Werner Frey, managing director of post-trade at AFME, said: "Europe needs a clear vision for its post-trading landscape and a coherent strategy for delivering this goal."

"We believe that the CMU project will contribute to the dismantling of the remaining barriers to achieve a safe and efficient European post-trade landscape."

Release of the EPTF report coincided with the release of a European Commission consultation paper on the state of post-trade markets and the scale of any new or remaining barriers, as part of its CMU Action Plan.

Valdis Dombrovskis, vice president of the European Commission responsible for financial stability, financial services and the CMU, said: "Efficient and integrated post-trade markets are essential for EU financial markets and for a well-functioning CMU. We need to find the best solutions to remove all barriers to efficient and resilient post-trade services."

Responses to the paper can be submitted until 15 November.

The EPTF was set up by the European Commission in February 2016 to assess the evolution of the EU post-trade landscape, and the progress in removing the Giovanni barriers.

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London Stock Exchange and NEX among new APA providers

The London Stock Exchange Group, NEX Regulatory Reporting, Bloomberg, Tradeweb and Trax are all set to publish post-trade transparency reports on behalf of clients, to help them meet reporting obligations under the second Markets in Financial Instruments Directive (MiFID II).

The UK's Financial Conduct Authority has confirmed them all as approved publication arrangements (APAs), meaning each solution provider has been certified as ready to publish post-trade transparency reports on over-the-counter (OTC) and systemic internaliser trades from January 2018.

The London Stock Exchange reporting service will be provided through TRADEcho.

NEX's approved trade reporting service will be offered through Abide Financial. The decision to apply for APA status was driven by client demand, with most of the business's new and existing clients already in testing to ensure they are prepared to go live when MiFID II comes into effect in January.

Bloomberg's MiFID II regulation process will be presented through its APA and in-house order management systems, TOMS, SSEOMS and AIM.

Tradeweb's new APA service has also been approved.

Tradeweb launched its APA-early facility in December last year and already has participation commitments from sell-side firms representing more than 60 percent of OTC trades, according to its estimates.

Trax's APA solution is Trax Insight, and was also an approved reporting mechanism under MiFID I.

Geoffroy Vander Linden, head of transparency solutions at Trax, said: "Being one of the first FCA-approved MiFID II APAs further demonstrates our ability to support the industry in this time of significant regulatory change."

Collin Coleman, head of NEX Regulatory Reporting, commented: "The use of APAs will be essential for efficient functioning under MiFID."

He added: "We strongly encourage any market participants who have not yet commenced testing to do so immediately to ensure they can continue to trade post 3 January 2018."

Manual processes still rife in reporting

Continued from page 3

Christy Bremner, senior vice president of SS&C institutional and investment management, said: "The survey results confirm that in this age of increased client demand for investment transparency and context, client communications have emerged as a critical function for investment management firms."

She added: "Despite this reality, many firms still follow a mostly manual process that results in outputs that aren't personalised to individual needs."

"Firms need to equip their advisors and customers with intelligent investment information to maintain and retain their client base."

Heritage to offer new AIFMD solution

Heritage International Fund Managers (HIFM) is launching a new portfolio and risk management service for alternative investment funds, through its management company solution.

The Heritage Manco and Risk Management Service is intended to help funds meet the requirements of the Alternative Investment Fund Managers Directive (AIFMD).

It will provide various risk management services including the setup and monitoring of alternative investment funds, as well as reporting against a risk framework to the required competent authorities.

Kevin Smith, a director at HIFM, commented: "Alternative investment funds and promoters are increasingly keen to outsource their risk management and AIFM requirements to experienced third parties, as regulations are becoming more complex and stringent."

He said: "By appointing HIFM as AIFM an investment adviser can create an effective segregation between portfolio and risk management, freeing up time and resources to concentrate solely on their core competencies."

ISDA: Transition period essential for post-Brexit derivatives trading

The International Swaps and Derivatives Association (ISDA) has urged UK and EU regulators to implement transitional provisions for derivatives trading after Brexit.

In a whitepaper, ISDA highlighted the need to secure legal certainty for derivatives trading between UK and EU counterparties, once the Brexit deal is finalised in March 2019.

The paper urged the UK and EU to "agree on post-Brexit transitional provisions for contracts under English law to reduce complexity and costs for all market participants".

It noted that the European Commission has identified a need for safeguards to support the financial and monetary policies of EU institutions, and added that, following Brexit, a "substantial volume" of cleared derivatives may no longer be be subject to the EU supervisory architecture.

The paper said: "The vast majority of EU clearing currently takes place in London, but there are suggestions that EU regulators might introduce a location policy for euro-denominated swaps to be cleared in the EU."

In June, ISDA sent a letter to European Commission vice president Valdis Dombrovskis, setting out some of the economic and financial implications of any such location policy for the clearing of euro-denominated derivatives

Issues raised in the letter included: price volatility and execution costs; increased systemic risks; complexity and operational risk as legacy transactions have to be migrated; costs of splitting netting sets; and reduced access to CCPs for end users.

In today's announcement, ISDA added that the UK and EU authorities should "instead agree appropriate arrangements for oversight and cooperation with respect to UK CCPs".

With regards to price volatility and execution costs, the paper noted that any location policy applying to certain contracts would artificially exacerbate differences in pricing between CCPs, raising concerns around liquidity in the case of a location policy coming into effect.

It said: "As a location policy can only be enforced on transactions where at least one counterparty is located in the EU, it is to be expected that the clearing pool in the eurozone will be less liquid compared to the current globally integrated pool. Less liquidity will lead to less competition and less choice, and potentially wider bid/ask spreads."

The paper also pointed to the G-20 derivatives reform commitments, including the commitment to avoid fragmentation, protectionism and regulatory arbitrage.

"An EU CCP location policy would run contrary to the deference principle, and would fragment markets," the paper said. "A CCP location policy would be damaging to EU economic interests, and should not be pursued."

Complexity comes from the fact that most cross-border transactions in complex financial instruments in the EU are governed by English law.

It is unclear, currently, whether this will change after the UK leaves the EU.

Japanese banks adopt DTCC's Omgeo Alert

Japan Trustee Services Bank (JTSB) and the Master Trust Bank of Japan (MTBJ) are now live on DTCC's Omgeo Alert.

The ALERT Trustee Service connects to GC Direct and will be used by JTSB and MTBJ to store standing settlement instruction (SSI) data related to fund assets for post-trade checks.

The banks have connected to Alert via their global custodian, Brown Brothers Harriman (BBH), which has been an Alert GC Direct user since 2015.

As a single and centralised 'SSI Utility', the Omgeo Alert system is intended to help to reduce the risks and operational costs associated with trade failures. In Asia, more than 500 firms currently use the system.

Robert Stewart, senior vice president at BBH, said: "BBH is thrilled to continue our collaboration with DTCC and offer the new ALERT for Trustee Service to clients."

"This product enhancement enables us to onboard trustee-owned funds, which were previously out-of-scope, streamlining client onboarding and SSI data management. It is well-aligned with our commitment to providing our global clients industry-leading solutions to increase controls, mitigate risk and provide a superior client experience."

Matthew Nelson, managing director of Omgeo global product and strategy at DTCC, commented: "By automating SSI data sharing for cross-border equity and fixed income trades, users are able to effectively leverage accurate, standardised SSI information across counterparties."

Nasdaq and Equinox combine to bring US market data across the pond

Nasdaq is to offer market data on proprietary US equity feeds via the Equinox London International Business Exchange data centre, LD4.

The Nasdaq TotalView and Nasdaq Basic offerings will now be available from LD4, which is located in Slough, allowing UK-based firms direct access to US market data from a more convenient location.

The move is part of Nasdaq's efforts to bring US proprietary equities to a larger audience. Clients that already have access to Nasdaq through LD4 will receive US market data feeds through their existing connections.

John Knuff, general manager for financial services at Equinix, commented: "The financial services ecosystem in London and New York are at the heart of global trading."

"By providing additional market data to the London-based community via Equinix's LD4 data centre, Nasdaq is providing participants with the richest information available to ensure increased business performance."

IHS Markit launches MiFID II solution

IHS Markit has launched a new solution to help investment firms comply with RTS 28 reporting rules under the second Markets in Financial Instruments Directive (MiFID II).

The new cloud-based service addresses trade reporting requirements that mean investment firms must publicly report their top five trading venues by asset class.

Michael Aldridge, managing director of trading services at IHS Markit, said: "Smaller firms with uncomplicated trading activity might find compliance straightforward, but as a firm's activity increases in complexity, so does its reporting obligation."

"We've created the calculation engine and programmed the business logic into our system, so that investment firms don't have to spend time or resources aggregating and classifying trade data."

The long road to the EU

Brexit has meant some difficult decisions for UK-based financial services firms. Stephanie Palmer-Derrien asks whether Ireland could be the answer

Since the UK voted to leave the EU, firms of all shapes, sizes and sectors have had to consider what Brexit means for their business, and whether they can feasibly keep their major operations in London. And if not, where they could relocate to.

According to a report from Deloitte and Finance Dublin, 40 percent of Irish financial services firms expect their employment levels to increase as a direct result of Brexit.

Indeed, Citi, J.P. Morgan and Bank of America Merrill Lynch are among the big names that have announced plans to expand operations in Dublin. According to David Dalton, a consulting partner at Deloitte and financial services industry leader for Ireland, there are at least 300 firms that will be considering how they're going to approach Brexit from a location strategy perspective. In the grand scheme of things, there are still "relatively small numbers that have declared what they are going to do", says Dalton.

Kieran Donoghue, head of international financial services, corporate strategy and public policy at IDA Ireland, the Irish government's inward investment promotion agency, is pragmatic in the face of Brexit.

He says: "The Irish government certainly didn't want Brexit. We don't believe it's in the best interests of the EU, of Ireland or indeed of the UK. But, along with the UK authorities and the financial industry, we have to figure how best to respond to the challenges posed by Brexit."

The IDA works with companies that are assessing whether Dublin, or Ireland as a whole, could play a part in their Brexit strategies. According to Donoghue, since the vote, the agency has seen between 80 and 100 enquiries from financial services groups, with a number of those translating into site visits.

It's worth noting, however, that only around 30 percent of these enquiries come from firms completely new to Ireland. The other 70 percent "are familiar with our jurisdiction for financial services", Donoghue says. "What they're doing now is assessing Ireland's suitability for either expansion of an existing business line, or for adding a new business line to their existing presence."

A path well travelled

Ireland's existing financial services industry plays a large part in its attractiveness, both to companies that already have operations there and those that don't.

Pat Lardner, chief executive of Irish Funds, points to Ireland's track record, suggesting that this could be comforting for those looking for some certainty, and for options. Irish Funds has worked with managers from more than 50 countries around the world, with a focus on finding the right solution for individual firms.

"If we can find a solution we will pursue that in a professional, sensible and commercially aggressive way, but only if we can find the right solution," Lardner says. "It needs to be a win-win."

If Ireland can provide such a solution, Lardner says it should be with as little uncertainty as possible, with regards to delivery, experience, and outcomes.

"Part of the reason people are coming here is because of the familiarity," he says. "In Ireland, it's not taking a risk."

However, this familiarity extends beyond track record. Existing operations may be a big factor in a firm's choice, but this is also true of other domiciles such as Frankfurt, Luxembourg and Paris.

Donoghue cites Ireland's "physical, cultural and organisational proximity to London", plus the simple fact that it is English-speaking.

He adds that Ireland boasts a 30 to 40 percent cost arbitrage compared to London, on a fully-loaded basis, and points to Ireland's

12.5 percent tax rate. Finally, he suggests that Ireland is, and will continue to be, a major player in European industry discussions.

"Firms want to locate in a jurisdiction that will have some influence in the development of future policies for the industry and future regulatory frameworks. They know Ireland will be at the table and will have a voice in those discussions."

A fork in the road

For those firms that already have operations in Ireland, the attraction isn't just in familiarity, there are also practical points to consider.

UK Prime Minister Teresa May triggered Article 50 on 29 March 2017, formally beginning the two-year Brexit negotiating period.

By March 2019, financial services firms will have to be ready to service their EU clients, with the appropriate legal entities and regulatory authorisations firmly in place.

Donoghue says: "Depending on the size and complexity of the business, that's a very challenging timeframe."

The best way to ensure readiness is to "leverage or exploit an existing legal entity that either has an existing regulatory authorisation, or that could acquire a regulatory passport within two years", he adds.

Large banks, broker-dealers, asset managers and insurers that have a significant proportion of EU-facing business don't want to take any chances; they don't want to find themselves at the back of the queue for regulatory authorisation and potentially unable to service their clients 18 months from now.

"Some of the largest and most complex groups have moved very quickly and very aggressively to complete location due diligence, and to begin their evaluation to decide what is best for them," says Donoghue.

Such groups have had to work on the assumption that the outcome of the negotiations is going to be a 'hard' Brexit—that is, one with no third-party access, no third-country equivalence, no regulatory passports, and no market access as of March 2019. If that assumption holds true, Donoghue says, "the prudence of moving quickly will have been completely justified".

On the other hand, groups that have a smaller proportion of EU-facing business must make a decision as to whether they continue to service that business. If they do, they will be considering how long will it take them to gain the appropriate authorisation.

The result of June's general election in the UK has further "muddied the waters", Donoghue says, with the diminished Conservative majority leading to speculation that a softer deal may be on the cards.

He adds: "Some groups have the view that gaining authorisation won't take two years, giving themselves some leeway in which to complete the analysis and make their decision. Larger groups don't have that option."

New horizons

If Ireland is to benefit from Brexit, it will, again, likely be in the areas in which it is already has a footprint. According to Dalton, these include fund administration, custody, corporate banking and payments. Ireland's financial technology sector is also growing.

Dalton says: "Obviously London has a fintech hub. We have a smaller, but very vibrant hub here."

The Deloitte report asked respondents to rank locations based on their attractiveness for fintechs. Some 59 percent selected Ireland as their first choice, while London came in second, with 17 percent.

The results should perhaps be taken with a pinch of salt, considering that survey respondents were Irish financial services firms, but they do show that Irish professionals have faith in their fintech industry. Respondents praised the support from IDA Ireland in setting up fintechs, as well as the market for talent and the existing technology company investments in the country.

Dalton says: "Fintechs, particularly those that have regulatory obligations or require authorisation, will need to consider their location strategies, but they're probably not as advanced in those discussions as the larger players are."

"We have a very strong technology sector here, with many global players having a significant presence here. So it could be an interesting growth area, with fintechs from the UK looking to create a presence within the EU."

To make the point, Lardner says that, from his office window, he can see the headquarters of Google, Facebook and LinkedIn, as well as the fintech innovation lab at Trinity College, the innovation centres of University College Dublin, and a building that has been refurbished especially to house startups.

"The infrastructure is here, but it would be wrong to suggest that this is a result of the Brexit discussion," Lardner says.

"Brexit has simply re-emphasised the importance of the fintech space—these startups will be servicing EU clients."

However, Lardner also draws attention to the legacy of the workforce in Dublin, and in other Irish cities, suggesting that the strength of the financial services sector in Ireland has led to strong educational ties in this area, which has in turn led to a pipeline of well-educated and tech-savvy young people coming into the industry.

"There are really good educational links between the universities and industry firms in the likes of Cork, Limerick and Galway, as well as in Dublin," he says.

Lardner adds: "We've had a longevity of financial services firms being here, and the curriculum development reflects that, whether it's in specialist programmes in capital markets, or around data analytics or artificial intelligence technology."

Clear roads ahead

Over a year on from the Brexit vote, is there any more clarity as to Ireland's position? On the one hand, it's clear that some firms at least should be making decisions now. On the other, there are still unknowns that will likely remain until the negotiations conclude. Dalton suggests that, for UK financial services businesses in particular, a key issue in the negotiating process is that of passporting and regulatory equivalence.

"An agreement on passporting issues would really reduce the impact on the UK financial services industry," he says. "What is becoming apparent, as the negotiations and position papers have come through, is that passporting isn't really on the UK government's agenda."

He adds that any equivalence will be a "privilege, rather than a legislation", and advises: "It may be unwise to rely on that happening if you're a firm considering your strategy at this point."

Irish Funds's focus has been to ensure the continuation of fund distribution into the UK for Ireland- and EU-domiciled funds, and to make sure savings patterns, which support the economy, continue.

Lardner says: "Authorities want to get money into the economy, they want market-based sources of financing, and they have real needs around investment and deploying capital. A lot of that is through funds."

He also advocates "the continuing ability of entities in the UK to provide part of the value chain around investment advice and investment management, so they can reach and distribute products and services into the EU".

While accepting that the issues are tied up in "bigger, broader political debates", Lardner calls for communication, saying: "It has been, and continues to be, a time when it's important to talk to each other more rather than less. More dialogue and more interaction is required."

"We need to maintain continuity of service without disrupting savings patterns and without creating the potential for events that might be disruptive for markets, all the while remembering that before we had any of these discussions the position we were in was that people weren't saving enough. That hasn't changed and we need to get on with those things, as well."

The rear view mirror

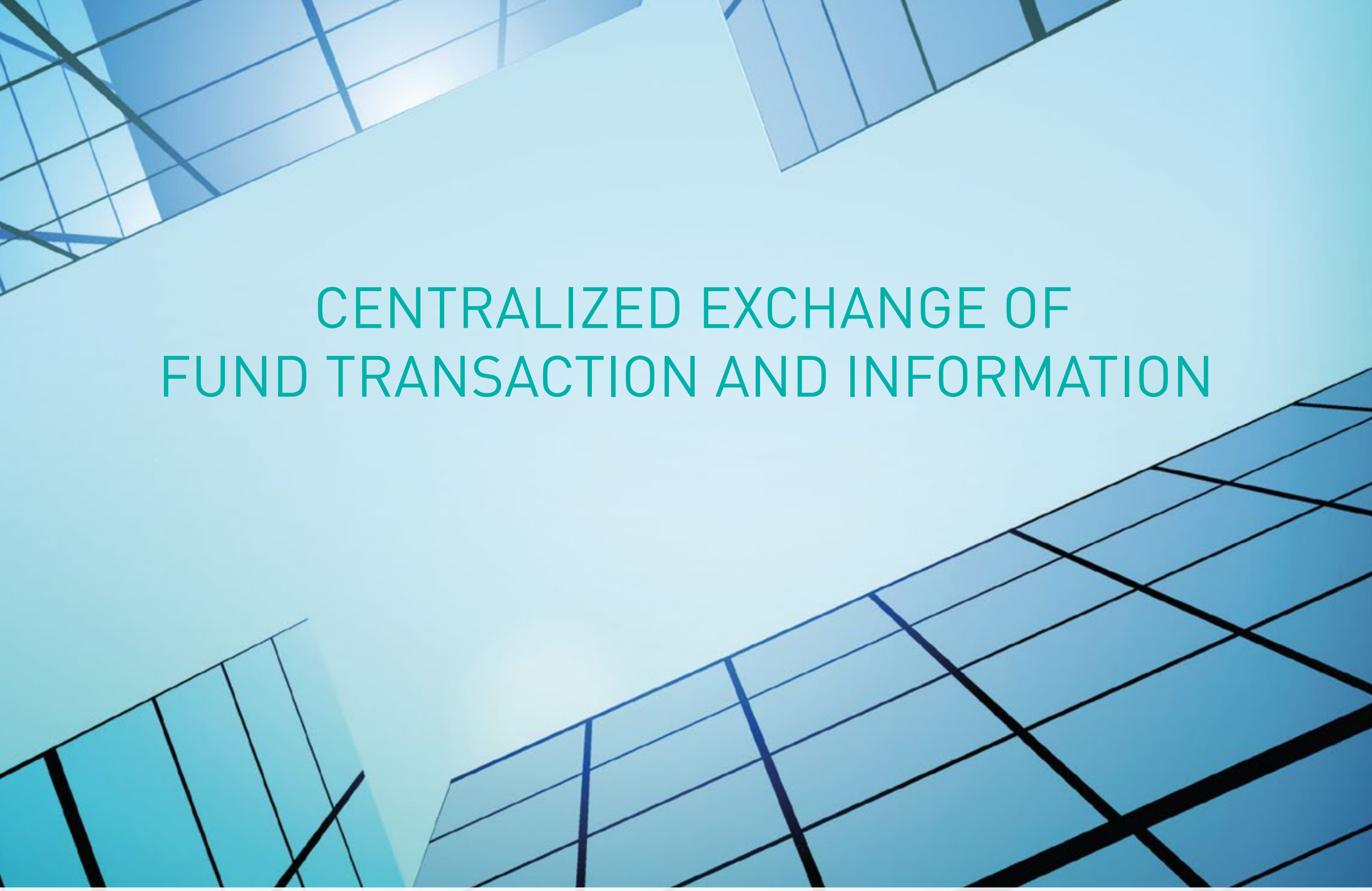
Brexit may have an effect on financial services in Ireland, but Donoghue stresses that this doesn't mean firms are turning their backs on London altogether, and that the British capital will remain "a major global financial hub in its own right".

"What firms are doing is re-domiciling the EU-facing part of their business in an EU jurisdiction, to preserve market access. They're not abandoning London, they're just reconfiguring their businesses to adjust to the challenges of Brexit."

However, even pre-Brexit, there was evidence of groups scaling back their presence in London anyway, considering the ways in which they could reconfigure their networks to reduce costs and concentration risk.

"The financial services industry in Europe is moving to a more decentralised, more distributed model. That is not just a consequence of Brexit, but the vote has hastened that optimisation process," Donoghue says.

"Had the referendum gone the other way, we would still be seeing the same shift, but it would have been a slower process, much less obvious and much less public." AST



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It's time for collateral management to return from the margins

Mark Baker of SimCorp assesses the results of two recent surveys to gauge what matters most when optimising collateral and controlling liquidity

Earlier this year, the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commission's (IOSCO) recommendations on variation margin exchange for non-centrally cleared OTC derivatives came into effect, affecting both buy- and sell-side firms, and with initial margin exchange being phased in by 2020. But, rather than purely focus on back-office readiness, firms should take the time now to recognise the regulation's rippling effect on bilateral trading operations in the front office.

At this critical juncture, a fundamental front-to-back operational shift is needed, not only to safeguard against risk associated with counterparty defaults, but to best fulfil investment objectives in an increasingly challenging market.

While posting upfront initial margin and daily variation margin as a means of tackling counterparty risk is a tactic commonly used in cleared derivatives, its introduction in non-centrally cleared OTC derivatives is relatively new. Given the complexity of the change from both a documentation and operational standpoint, the regulation's full market force, complete with fines, was postponed until 1 September. A welcome move, granting the financial services sector the grace-period it needed to consider the technology systems in place and whether it can support this and future regulatory changes.

Though collateral management has traditionally been a back-office function, operating on a periodic basis, the new regulation will see it flooding into the front office's daily workflow. In fact, in a recent poll conducted by SimCorp, one of the primary 'pain points' in collateral management, identified by buy-side firms, was increasing volumes. This is likely to surge, as pledged and received collateral will no longer be periodically exchanged in arrears and at high thresholds. Instead, asset managers will need to mark their books to market daily, and at much lower thresholds.

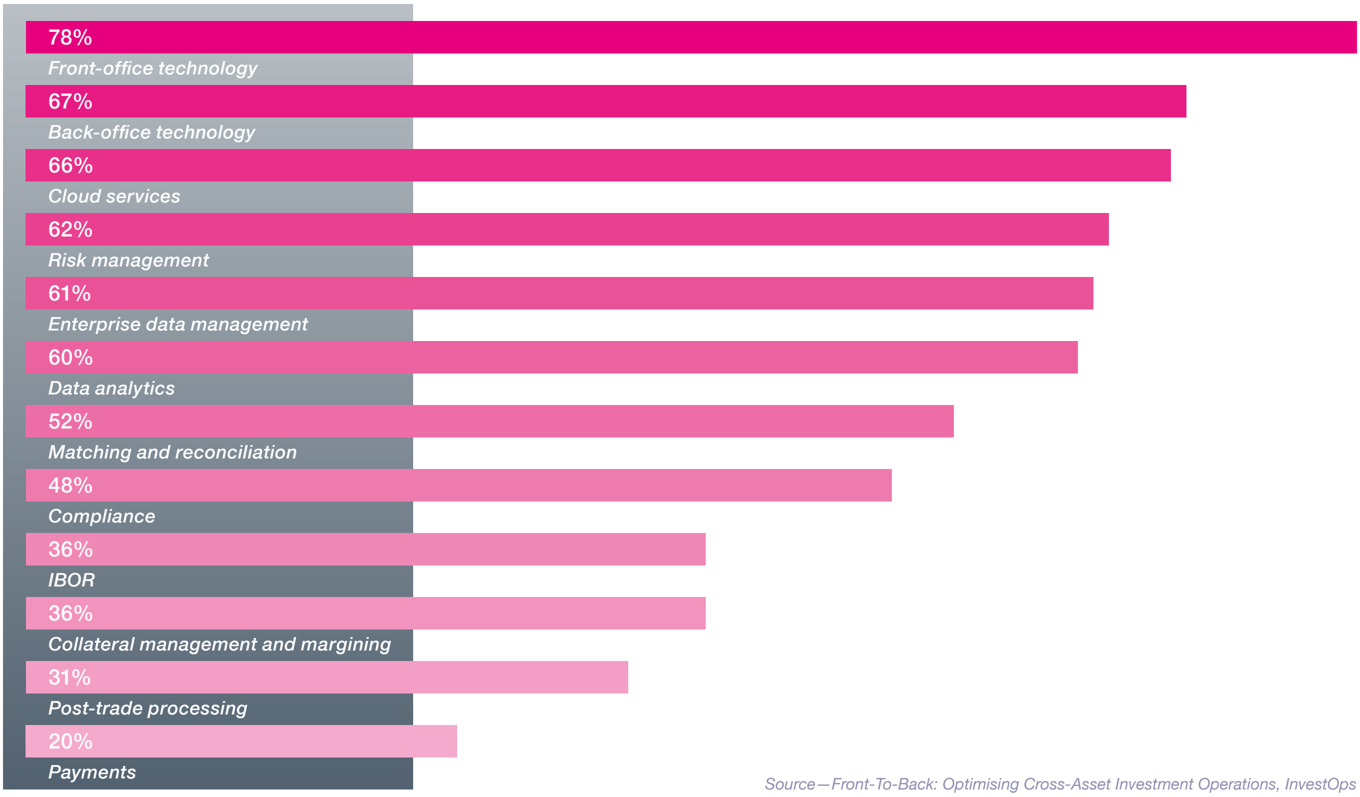
To add to these new and intensified volumes, trades with counterparties prior to and after 1 March 2017 could have not one but two margin calls: legacy and regulatory. In addition, while there is a general global consistency in implementation, there remains important regional differences. Examples include the scope of covered products, such as deliverable foreign exchange trades, which are excluded from US regulation, and the treatment of non-netting and segregation jurisdictions.

A good majority of firms, including many of those responding to SimCorp's poll, named manual workflows and a lack of automation as barriers to efficient collateral management, and this is further echoed in the recent SimCorp-commissioned report from InvestOps, Front to Back: Optimising Cross Asset Investment Operations, which found that 64 percent of European buy-side firms operate collateral management on only a partially-automated or worse still, manual basis. Leaving aside the significant proportion of counterparty agreements that still need to be redrawn, the conditions within the regulation will only serve to continue the data explosion that firms are currently firefighting.

In this new world, front-office investment decisions and collateral allocation are bound to be affected. Portfolio managers in the front office will now need to consider collateral requirements in their OTC investment decisions, given the need to post margin. This includes the availability of collateral and the levels of—and timely access to—liquidity in a portfolio. Therefore, a re-evaluation of investment strategies may be required, comparing the cost of a bilateral OTC investment decision with cleared OTC or exchange-traded alternatives. Furthermore, on the funding side, the need to access liquidity could increase the use of repo markets, whether bilateral, triparty or cleared. Repo is a market that has been synonymous with the sell side but is now opening up to the buy side, in the continued search for new liquidity sources.

A change will also be seen in the way margin call decisions are made. Asset managers in the front office will need to have oversight of what collateral, ie, cash and securities, is going out by way of pledge to counterparties, to make the most optimal investment decisions at any given time.

Most popular investment areas



Source—Front-To-Back: Optimising Cross-Asset Investment Operations, InvestOps

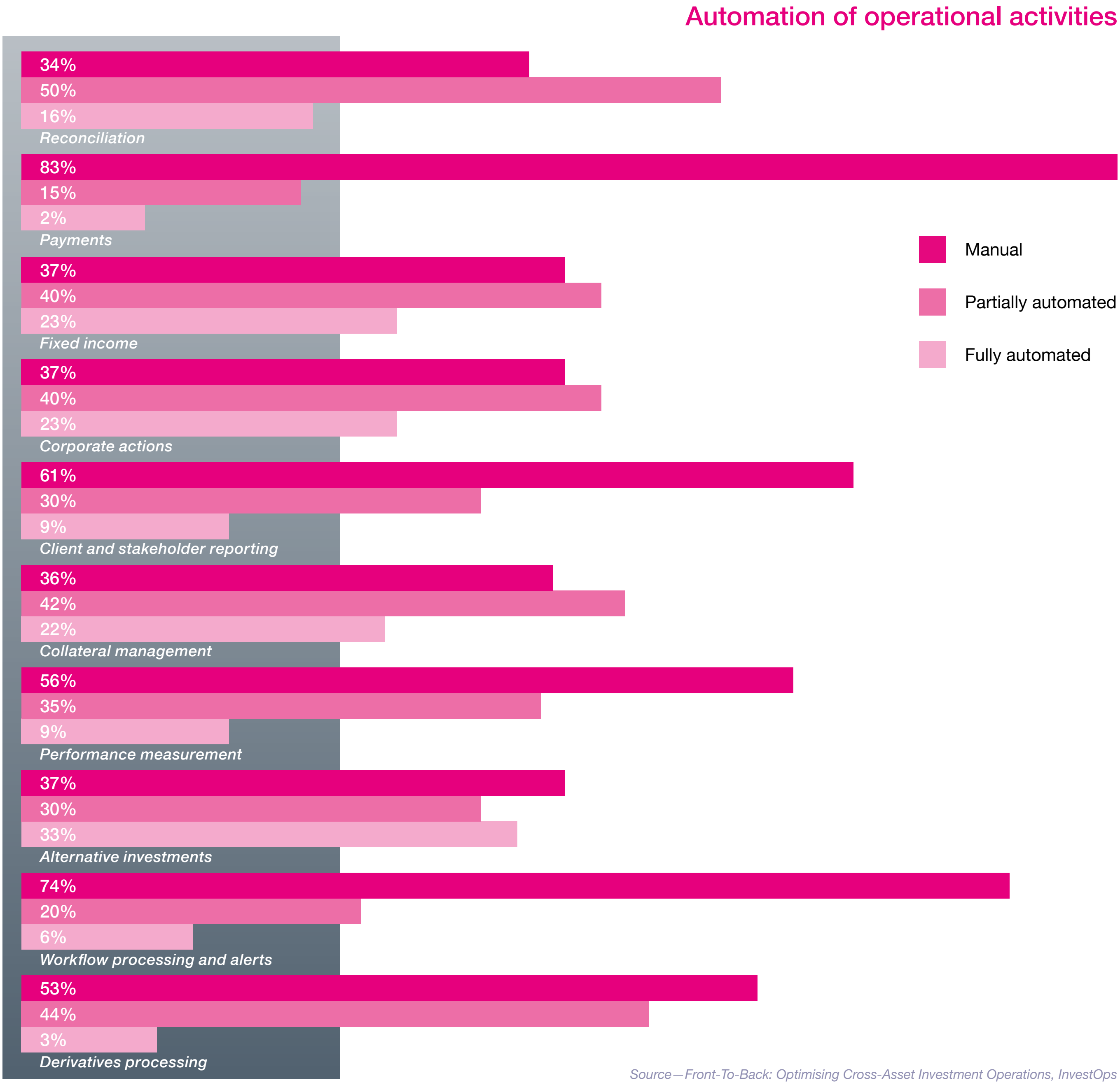
There is, in fact, a real opportunity to optimise these collateral management workflows, by organising pre- and post-trade in one system, and increasing profitability. Not only by enabling the front office to make better informed decisions, and to fulfil their investors' objectives successfully, but to use the timely overview of positions, cash and securities collateral and exposure to understand what collateral should be used, when, and to what gain.

There is of course an operational burden in making this happen, and while some may look to outsource parts of the process to a custodian or triparty agent, perhaps the majority are realising technology investment is the only way forward.

Indeed, 78 percent of those surveyed in the InvestOps survey considered front-office technology to be the most popular investment area.

Overall, firms need to look beyond siloed, short-term fixes, and to operational change that transforms front-, middle- and back-office technologies on a single core platform, where one source of real-time data can traverse the whole office. **AST**

Collateral Management



Source—Front-To-Back: Optimising Cross-Asset Investment Operations, InvestOps

> *Firms need to look beyond siloed, short-term fixes, and to operational change that transforms front-, middle- and back-office technologies, on a single core platform*

Mark Baker, Product manager, SimCorp

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Messages in a bottleneck

Integration and harmonisation remain ongoing challenges that require the individual touch, as Fiona Hamilton of Volante tells Mark Dugdale

How is Volante approaching the current market landscape?

We are a market initiative-driven company. We follow the regulatory landscape, as that's where the technical landscape changes are, and we try to insulate our clients from those changes. We're not in the business of rip out-and-replace, we're in the business of adding additional functionalities. We target innovative institutions that want to face up to the challenges and turn them into opportunities for their business.

That mindset has worked very well for us over the last couple of years. Business is split between capital markets and payments, but everything ends up as payments—if it doesn't generate the movement of money, then there is not a lot of point in doing it.

We're supporting initiatives that are capital markets-focused in their own right, and others that are more focused on payments, but they're all built from the same base application, and they both use the same architecture.

In terms of delivering efficiency in messaging for a custodian or investment bank, is a large overhaul necessary, or will smaller tweaks do the job?

It depends on what the customer is trying to achieve. Some projects require more tactical changes, some require an element of blue-sky thinking, and some will be completely transformational. In the current market climate, there are several organisations that would like to undertake more transformative projects, in theory, but may not realise quite how big a project can be.

By the time the seeds are sown and the client has decided what it wants to transform, and once all of the stakeholders are informed, often projects can appear too daunting. Alternatively, the market may have changed, or even the firm's management may have changed.

The more time goes by, the less likely it becomes that these large-scale changes will happen.

We also see infrastructure that has been in place for a few years and that has seen a lot of investment, which means it is very sticky. Changing that solid infrastructure, either to replace it or just to make it conform to regulatory changes, comes at a vast cost.

So, we look at what needs to be done. In capital markets, the main area is compliance, and it takes up a lot of budget just to meet minimum compliance.

Organisations are thinking about efficiency, but they're thinking about compliance first. You could gain 10 percent in efficiency, or have a $100 million operations budget, but if you fail to comply and end up with a $500 million fine, then it really doesn't matter how efficient you are.

Everyone is mindful of lower costs, and everyone is trying to provide better services to differentiate themselves, but compliance comes first. Smarter banks and institutions are questioning whether they can go beyond that minimum compliance and do more with it, and whether they can do that without affecting their legacy systems.

For a lot of firms, the legacy infrastructure is becoming a kind of master of accounts—a statement of record. Anything outside of that core processing can be external.

This is particularly relevant for messaging, which can be done either internally or externally.

Some firms are considering whether they can create functionality that lives in its own ecosystem around that legacy infrastructure, that is more agile, and that communicates with the infrastructure, and with the external world.

Has the messaging side of custody become more complicated as volumes have increased? Are they looking to automate?

From a compliance perspective, it can depend on the jurisdiction. If a custodian is domestic in the UK, or even pan-Europe, the volumes involved are going to be very different to those of a global custodian.

But there are other challenges in the custody sector. For example, every global custodian that has a sub-custodian will have to deal with different message formats, and the nuances of those messages within each market. Previously, custodians had their own proprietary services, and each front manager would have a particular terminal for instructions to each custodian.

That hasn't necessarily gone. Although more traffic is going over consolidated channels such as SWIFT, the fact is that those nuances are still there. A lot of outside institutions working in multiple markets will have multiple custody relationships and each will require something slightly different.

The different semantics mean particular fields have to be formatted in a particular way. Even within one market, it could be that one type of security has to be formatted in one way and another type has to be formatted in another way. And that's before we get into domestic identifiers.

Custodians will have a lot of message flows coming in, but they're not all standardised. This could be a few thousand messages per day, but the large institutions could have hundreds of thousands, plus a backwards flow of account information going back to the clients, in terms of pending transactions.

In the future, they will also have regulations such as the Securities Financing Transactions Regulation, which will require reporting, and they will end up with a huge amount of information going in and out, all nuanced with regards for geography, regulation, customer preference, and so on.

Having the ability to accommodate all these differences without having to recode the legacy infrastructure every time a new client is brought on board is key to maintaining agility. Without that agility, you are much more likely to go out of business.

Are any custodians managing these challenges particularly well? Are you seeing integration across different businesses?

There is a spectrum of capabilities, but I wouldn't say that any custodian has necessarily conquered the problem. This is mainly because most organisations in financial services haven't really integrated their back-, middle- and front-office trading systems. To find someone who oversees equity and fixed income, geography, or risk and compliance, we have to look for C-level and stakeholder engagement.

It's important to be pragmatic. The introduction of a piece of integration software can be evangelised once changes start to happen and success can be shown.

This can then be applied in other parts of the business, and the result is a slow but steady adoption over time.

Our most successful relationships have generally involved implementing our technology in this way, rather than going in with a 'big bang' solution.

Are counterparties discussing harmonising messaging? Should this be down to SWIFT, or companies like Volante?

Target2-Securities (T2S), for example, is making a huge impact on European markets, and it has taken a lot longer than maybe many thought it would. Over time, however, it will affect the businesses that provide more localised custody. It will change some of their behaviour, and the types of services they provide. These are very similar to the very significant changes we saw when the UK's Crest came in 20 years ago, but this time it will affect cross-border.

Clearinghouses, on the other hand, benefit from more and more asset classes having to be centrally cleared. Two of the biggest clearinghouses in the world are customers of ours, and they actively leverage our integration technology to stay abreast of their regulatory reporting requirements. In terms of how those organisations communicate with each other, undoubtedly there is a desire for harmonisation, and traditionally that has been dominated by SWIFT. More regulations are mandating ISO 20022, but that doesn't mandate a delivery mechanism, so, as custody is a fairly low-margin business, it is likely that more cost-effective channels based on ISO 20022 payload over the internet with appropriate encryption, or indeed distributed ledgers, will be adopted.

There has got to be more of a drive for application programming interfaces (APIs) and open-source standards. They don't have to be delivered via any particular network, but they would make better use of the API ecosystem between players, while new entrants might come to maturity based on distributed ledger technology.

Some custodians and depositories will undoubtedly try to emulate or embrace those technologies, protecting themselves against the new entrants. And some new entrants will undoubtedly gain some ground, but it's not going to be easy for them, simply because this infrastructure and the custodians, central clearing systems and depositories have been around for an awfully long time.

So, while the technology might be there, the industry may not evolve as rapidly as, for example, the trading environment, where you see immediate effects. Instead, APIs, ISO standards, an understanding of semantics, and regulation will almost certainly be the combined cause of consolidation. AST

It's important to be pragmatic. The introduction of a piece of integration software can be evangelised once changes start to happen and success can be shown

Fiona Hamilton, Vice president for Europe and Asia, Volante Technologies

Smooth settlement cycling

CSDR will make significant headway in harmonising settlement cycles in the EU, but some market participants are concerned about bumps that remain in the road. Stephanie Palmer-Derrien reports

Following hot on the heels of the Target2-Securities (T2S) pan-European securities settlement platform, the EU's upcoming Central Securities Depositories Regulation (CSDR) is one part of a grander plan to harmonise the settlement cycle and discipline across the EU, providing a set of common principles in a bid to improve the safety and efficiency of CSDs.

European CSDs need to have applied for authorisation under CSDR by this month, ahead of part one of the regulation coming into effect in March next year. And, according to Daron Pearce, CEO of asset servicing for Europe, the Middle East and Africa (EMEA) at BNY Mellon, CSDs are generally on track to meet this compliance deadline, despite the many other regulatory hurdles they may have faced.

Indeed, in July, Clearstream announced its plans to apply for licences for its Clearstream Banking CSD in Germany and LuxCSD in Luxembourg to operate under the new regulation. According to Marc Robert-Nicoud, CEO of Clearstream Holding, it is now "on track with preparing their applications to apply for the relevant CSDR operating licences".

However, although the general objectives of CSDR—improving the safety and efficiency of CSDs—are difficult to dispute, there is some concern that, in areas, the regulation goes too far. For example, Pearce warns that there are issues outstanding around the controversial new buy-in rules, which he calls "the single most problematic area of CSDR".

Clearstream is also seeing questions from clients regarding the settlement discipline regime, says Robert-Nicoud. The regime specifies the measures that investment firms must take in order to limit the number of settlement fails, mandating procedures for facilitating settlement and putting in place measures to incentivise faster settlement.

Although not finalised yet, the regime, in its currently-drafted form, will introduce cash penalties for failed transactions. It is also the part of the regulation that introduces mandatory buy-ins.

Buy-ins are currently discretionary, but making them mandatory means an appointed agent will be able to step in and buy securities at market value if they are not delivered within a specific timeframe, in order to ensure delivery.

> *While all incoming regulations are conceived with the best intentions, they also invariably bring challenges, and CSDR seems to be even more divisive than most*

Trading members will be responsible for triggering buy-ins for transactions not cleared with the central counterparty (CCP) clearinghouse, while CCPs will be responsible for those that are.

The concern, here, is that if the cost of the buy-in falls to the bank or CSD, that entity is likely to seek collateral and guarantees in order to cover that risk, ultimately making the system more expensive—which is not what the regulation hoped to achieve.

The European Securities and Markets Association (ESMA) released its draft technical standards on settlement discipline under CSDR in February 2016, yet the issue is still unresolved, and mandatory buy-in rules are still causing a headache for CSD clients.

Pearce says: "Although ESMA has made great efforts to try and make them workable, it is not yet certain that we shall have a good outcome."

In May, ICMA released its own position paper on the settlement discipline regime, with a focus on cash penalties for settlement failures and the mandatory buy-in rules. Interestingly, ICMA held that the current cash penalty rates for settlement fails are "too low to be effective" arguing that they should be increased and reviewed periodically, taking into account settlement efficiency rates and interest rates.

On the other hand, however, the ICMA paper stressed that it is "firmly opposed to the implementation of the CSDR buy-in regime with respect to the European non-centrally cleared fixed income markets".

The association said: "It is ICMA's belief that the design of the buy-in regime is inherently flawed, that it creates unnecessary and unintended risks for both sellers and buyers, and that its implementation will be a direct threat to the orderly and efficient functioning of the European bond markets. ICMA therefore believes that the implementation of the mandatory buy-in regime should only be considered if an appropriately calibrated penalty regime proves ineffective in improving and maintaining bond market settlement efficiency."

The settlement discipline issue aside, Robert-Nicoud says that, generally, Clearstream welcomes the changes that CSDR will bring.

He says: "As the new regulatory keystone for the sector, CSDR aims to harmonise the different rules applying to European CSDs in order to create an improved and level playing field for the industry—an important prerequisite for a capital markets union."

He adds that, alongside T2S, which will mean settlement becomes more centralised across Europe, "the CSDR regime should ultimately help to make cross-border settlement processing more efficient and, in turn, hopefully less costly for CSD participants".

This could open up opportunities for CSDs to offer new products and services, ultimately making for an improved customer experience.

Robert-Nicoud says: "Following our own migration to the European Central Bank's central settlement platform, we have also further enhanced our integrated T2S offering, which now spans issuer, investor, and international CSDs, allowing customers to settle in commercial and central bank money via one single platform."

He adds: "We at Clearstream see our role not just as helping to realise the CSDR objectives through obtaining licences for our CSDs to operate, but as one of sharing our expertise and guidance as far as we can, to help market participants align with the new regime."

Pearce, on the other hand, is of the opinion that there are still "two major concerns" surrounding the implementation of CSDR.

Firstly, he argues that the regulation could reduce competition in CSD services "by creating very high barriers for new entrants, in particular with respect to settlement in commercial bank money".

Secondly, he simply points out that the regulation is based on current market models, without much flexibility with regards to an industry of the future.

Pearce says: "It does not really accommodate technological change; as a result, it is an obstacle to the development of new or alternative market models that may emerge because of, for example, new technologies such as distributed ledger technology."

While all incoming regulations are conceived with the best intentions, they also invariably bring challenges, and CSDR seems to be even more divisive than most. However, the March 2018 is fast approaching, and both the regulator and affected firms have to get their skates on if the industry is to achieve compliance. **AST**


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If Amazon can do it

Financial services firms that take heed of technology will be the ones that come out on top, says Tom Pfister of Confluence

The idea of 'disruptive innovation' was first set out by a Harvard professor in 1997. After decades of research, Clayton Christensen published a book, The Innovator's Dilemma, in which he explained how a very successful company can do everything 'right' and yet still lose its market leadership to new competitors that are embracing innovation. His argument was that those companies that rely solely on the practices that enabled them to build a successful business in the first place miss out on new waves of innovation that will keep them successful.

One of the most compelling examples in recent history of an extremely successful business that looked outside the box is Amazon. The company started as an online book selling service—operating from Jeff Bezos's very own garage in Seattle—and grew into a multi-billion dollar super giant.

Since its launch in 1994, Amazon hasn't stopped growing—in virtually all directions and in all industries—becoming a tech giant as much as a retail empire. But, if Bezos had simply carried on doing what he had been doing since the late 1990s, Amazon would just be another eBay.

Instead, he bet on the most disruptive technology there was, the cloud.

When Amazon Web Services (AWS) launched, Amazon, the retailer, was its only customer. As an online retail giant that relies immensely on client data, Amazon needed a robust cloud infrastructure to support

its ability to effectively use the vast amounts of data it collects, and that included everything from computing power to data storage. Now, its customer base is giant, including Adobe, Airbnb, Nasdaq OMX, the UK government and NASA.

These days, the best technology solutions are available online as a service and most major technology providers are increasingly cloud-first, or even cloud-only. Building on its sister company's experience as an online retailer, AWS understood that each of a clients' organisations needed to collaborate on business processes across the globe, reduce the complexity of on-premise infrastructure, and gain true cost-effective elasticity. And the only place for that is in the cloud.

It's the same in the asset management world, where change is constant and internal development is complicated and expensive.

Internal-build projects and their associated support costs rarely ever decrease, or even stay the same, over the usable life of a solution. Significant upfront investment in data centres, networks, servers, storage and operating systems are required when running even the most trivial of enterprise software, and those costs don't evaporate when migrating to new on-premise solutions.

Every fund organisation has a slew of regulatory requirements to deal with, and just as challenging as complying with initial filings is keeping pace with the constant changes put forward by the regulators. The ongoing frequency of change requires upgrades, security patches and enhancements to their regulatory technology, and for firms with on-premise or internally-developed solutions, it is even more difficult. It requires budget, effort, strategy, and significant preparation.

Keeping pace with constant regulatory change isn't just a headache; it's a design requirement. What the regulator deems a minor change may in practice require months of costly development, data routine changes, new user interfaces, and testing. All this needs to be done concurrently with current reporting obligations, while the upgrade and transition needs to be seamless on the go-live date.

Because of these heavy requirements, we see a lot of out-of-date technology that has become a real burden for fund companies and their administrators. They are either too expensive or too difficult to sustain, so it becomes easier to maintain the business process offline. But, in the meantime, the technology is still being paid for and no one is using it. It is this problem that most public cloud services address through a constant stream of updates.

Here at Confluence, we deploy seamless releases each month with new features, fixes, and improvements. We maintain the regulatory disclosures for minor changes imposed by a regulatory agency, and we handle the platform and technology update processes. Because the offering is software-as-a-service, this is included in the subscription cost. This means firms' internal IT departments are not responsible for supporting those changes, Confluence is.

For most changes, our clients don't need to create project teams with incremental phases to hire external consultants, purchase hardware, plan roll-backs, update internal systems, migrate data, or manage any of the other classic challenges necessary to get the benefits of the latest upgrade. Continuous improvement is delivered without continuous effort or additional spend.

Working in the cloud allows companies to focus on their core businesses and spend less time and money buying, using, maintaining and improving software, which is invaluable as regulatory pressure continues to build. With cloud acceptance at an all-time high, it is no longer a question of whether organisations are moving to the cloud, but rather of how quickly the procurement process is maturing to support cloud-based business, technology, and operational demands.

For years, it has seemed like for every step forward for the cloud in financial services there was at least one step back, but the residual worry over the technology finally seems to be easing. A key reason for this acceptance is that the cloud offers huge competitive advantages that cannot be achieved in a cost-efficient way using existing on-premise infrastructure.

While opening up to the cloud may not turn a firm into the next Amazon, it will allow them to free up time, resources, and money, so they can start looking for the next positive disruption to take their business to the next level. **AST**

Keeping pace with constant regulatory change isn't just a headache; it's a design requirement

Tom Pfister, Global head of regulatory reporting solutions, Confluence

Platform domination

Futuristic front-end products may be important, but the future will be neither online or offline. It will be multi-channel, says Nick Wright of DST

Fund managers face a brave new world, with increasing direct-to-consumer (D2C) business and growing demand for digital solutions and innovation. They also face an uncertain future as a result of the UK's exit from the EU. But many of the old rules still apply, and it's precisely because of this changing world that traditional investor servicing capabilities are more important than ever.

On the one hand, the drive to increase D2C sales makes sense. For all the benefits they've brought to advisers and their clients, fund platforms present a significant long-term challenge to the role and market position of asset managers. The challenge has only come to be recognised in the last few years and is still a long way from being addressed, but in letting these platforms entirely dominate retail sales of investment products in the UK, fund managers have created a number of inter-related issues.

First, they have allowed their products to be largely commoditised, racked and stacked on the fund supermarket shelf alongside those of their peers. Subsequently, fund managers have become disconnected from the underlying investors, who now see their products as largely homogenous and interchangeable. Those few and diminishing investors that do still have a direct relationship tend to be those who invested as far back as the 1980s and 90s, and they're ageing, making for a precarious business model.

Related to this, managers have allowed themselves to be pushed down the value chain during a period when fees have been significantly squeezed. Less than two decades ago, managers were charging 150 basis points (bps) and keeping almost all of it. Today they are frequently getting 75 bps or less through platforms. In the funds-of-fund and multi-manager space, fees are being squeezed even further. Given the downward trend, most managers now accept they will soon be looking at 50 bps on many, if not most, of their sales.

While assets under management have increased significantly since two decades ago, a cut of two thirds in revenue is a profound change in any business model. At some point, this evolution (if it continues) becomes unsustainable, and currently there's little sign of the trend slowing. According to consultants Oliver Wyman, margins contracted by an average of 6 percent last year, more than offsetting modest growth in assets under management. Adding further pressure, the ease with which platforms allow wealth managers, advisers and clients to switch assets between funds and managers at no cost, together with the growing influence of fund rating agencies, has led to extraordinarily concentrated buying patterns. Quarterly sales figures regularly show that the majority of net new business in the UK goes to fewer than 50 of the 3,700 funds available.

All of this goes to explain why re-establishing D2C sales is a logical move. Fund managers' resurgent interest in D2C seeks to tackle the erosion of their brand, increase their share of the value chain and address a genuine concern by many that they have become too distant from their end investors—a concern shared by regulators.

Back to the future?

On the other hand, managers pursuing increased D2C business are left with the practical problem of how to handle the investor servicing of these sales, and this is more of a problem than it initially appears.

While fund managers may be returning to D2C, they aren't going back to the 1980s with billboards and adverts in the Sunday Times and the Daily Mail. Managers need digital solutions that provide easy-to-use and attractive online offerings, giving investors the tools to self-service. Doing so both improves the customer service experience by meeting the modern consumer's expectations, while also promoting efficiency for the fund manager. Yet, these self-servicing capabilities are precisely the sort of tools fund managers have not had to develop as they've relied on the platforms.

At the same time, it's worth stating the obvious: for the foreseeable future, a significant majority of retail sales are still going to come through platforms. The UK's Financial Conduct Authority reckons around 80 percent of new retail investment business is carried out through platforms, and that figure will not change overnight.

In short, D2C is seeing significant interest. It's growing, and it promises to potentially be a more profitable channel for fund managers in the future but, currently, it still remains a sideline.

Invest or outsource?

Modifying in-house technology and investor servicing solutions to deliver a strong online offering for D2C business requires a high level of investment. Yet, with the majority of business still conducted through platforms, achieving the massive scale needed to justify that expense is not likely to occur. Instead, fund managers will likely rely on investor servicing providers to outsource this part of their business.

In doing so, however, they again potentially introduce another player into the value chain, eroding one of the very things that makes D2C attractive. Fund managers already have investor servicing providers for their core registration activity, and not all of these core providers can support a D2C offering. Contracting another specialist supplier simply for their (minority) direct business—which will likely aggregate the underlying orders before placing them under a nominee name—is, frankly, just introducing another cook to potentially spoil the broth.

A multi-channel experience

Perhaps more crucially, self-service technology is not the real challenge. It is not difficult to create systems that enable retail investors to effectively and efficiently interact; there are plenty of solutions and plenty of businesses that are able do it.

The move to increased D2C doesn't primarily call for a new approach to investor servicing either, it calls for effective application of traditional capabilities on a grander scale. That's because the real test will be incorporating the services that can't be automated—those instances when consumers can't, or don't want to, self-service or conduct business online. It's easy enough to use web-based forms to enable investors to change their address, but it is more difficult to manage divorce and probate, or to resolve errors and complaints online.

Many retail investors simply don't want to do everything online, valuing human interaction for a whole range of tasks, either through a genuine need for guidance or a simple desire for hand-holding. Investment products are intangible by definition, and often complex, and their value is only truly measureable when viewed historically. An investor's decision is therefore largely made by faith, based on the asset manager's probity and trustworthiness.

Investment selection is a much bigger and more complex decision than buying new socks on Amazon, and some clients will want the reassurance of speaking with a human being at some point in the process.

The future, therefore, is not online or offline, it's multi-channel. An investor will likely want to self-service using a smartphone app for certain functions, but at other times and under other circumstances use post and telephone.

It is actually the ability to scale and to do the latter efficiently, while maintaining excellent levels of service, that is likely to be a differentiator in future, rather than the capability to provide a flashy web front end—vital though that is. **AST**

Modifying in-house technology to deliver a strong online offering for D2C business requires a high level of investment. Achieving the massive scale needed to justify that expense is not likely

Nick Wright, CEO of fund solutions, DST

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Go for global

In a fast-changing financial world, Riva's Ghassan Hakim makes a renewed case for a global transfer agency solution, and why industry leaders should care

Our industry first started to touch upon the subject of a global transfer agency solution soon after the monumental, later deemed 'non-event' of all the preparations and execution of transitioning our legacy systems through the move from the year 1999 to 2000, better known as Y2K. While the implementation went seamlessly, it was not without significant capital and human investments for several years prior to D-day. Today's generation using today's technology may not appreciate all the fuss about Y2K, but for those of us deeply involved, it was a big deal.

I had the privilege of experiencing Y2K from a transfer agency perspective within the structure of a truly global company. What this meant was significant communication, analysis, research, development, and testing, and implementation of a number of transfer agency systems supporting various jurisdictions. Given that these systems were quite different, it meant several implementation plans and different resources globally, all at a very high cost.

Post-Y2K, as part of their lessons-learned exercises, many industry experts started discussing the merit of global solutions (for fund accounting, wealth management, brokerage and transfer agency systems, among others). Given the legacy nature of the transfer agency systems developed in the 1970s and 80s, and even some in the 90s, production costs were monumental. Beyond the basic technology infrastructure costs (mainframes for the most part), organisations could not leverage their resources across these systems and the transfer agency operations that relied on them.

These systems did not interact with each other and they were designed and developed in very different ways, requiring redundancies in staff, training programmes, operating procedures, disaster recovery, documentation, and testing and development of enhancements and implementations. Later, as the burden of the regulatory landscape started to increase, these legacy systems required further redundancies in ensuring various systems were compliant across all jurisdictions.

For these reasons, the business case for a global transfer agency solution was established fairly early on. Case in point, the founders of Riva Financial Systems set out to develop such a global platform as early as 2002, with the mindset of creating a transfer agency solution that would support multiple product types across multiple jurisdictions, currencies and markets. So, why did we not experience a number of Riva-like developments? The cost savings and elimination of redundancies alone should have been compelling reasons for any leader to pursue.

The truth is that taking these legacy systems and changing them to support multiple jurisdictions was a big deal, requiring significant investment in capital and human resources, along with development and data transition exposures, freezing of other much-needed enhancements to support call centers, and the introduction operating efficiencies. Many organisations chose to invest in front-end presentation layers and surrounding strategies for specific functional aspects like client output, trade control, reporting, commission processing, and others.

Concurrent with these efforts, outsourcing transfer agency was becoming more popular, resulting in the emergence of global transfer agency service providers with global locations. While these organisations still relied on multiple systems in their infrastructure, they ensured their internal organisations would do the heavy lifting across their various units, while ensuring to their clients a single global servicing offering. While the underlying cost kept rising, these organisations shifted to lower-cost centres for back-office operations, in an attempt to defray the cost inefficiencies of their multiple legacy systems.

We then experienced the financial crisis in 2008, and that gave good reason for many executives to kick the can down the road, retaining redundant legacy systems in their portfolios. Riva Financial Systems, on the other hand, leveraged that period by attracting seasoned transfer agency specialists, increasing 10-fold its investment in the continuing development of its global solution, Riva TA.

Fast forward to 2017 and we see that many organisations have increased their investments into their transfer agency solutions, most claiming global solutions when in fact they are still relying on their old legacy platforms. We have seen some cross-functional and cross-jurisdictional development on these same platforms, which adequately addresses short-term needs but still has to contend with higher costs and inefficiencies in developing and maintaining new code.

So, if we've managed to get along all these years in providing transfer agency support without implementing a global solution, why should industry leaders care about not having a true, wholesome and global transfer agency system now? Two words: demographics and blockchain.

I wrote an article in the Asset Servicing Times Technology Handbook 2017-18, in which I spoke about the impact of both demographics and blockchain technology on the future state of our transfer agencies.

There are clear pressures on our service models to become more nimble and effective, and less encumbered by so many intermediary layers (distributors, clearing organisations, banks, regulations, closed markets and more). The next generation wants to be able to invest through their mobile devices, social media and in whatever new ways that are yet to come upon us.

A blockchain infrastructure currently offers the most plausible medium by which our service model is likely to be disrupted.

While we can easily see how a demographics-blockchain alliance could ultimately eliminate distributors (through robo-advice and artificial intelligence), the clearing organisations (through replicated distributed ledger technology) and the settlement banks (through embedded cryptocurrencies), it is harder to conceive that the highly-regulated and controlled aspect of the underlying transfer agencies could be eliminated in the near- to medium-term horizon. We are also convinced that the regulators will be reluctant to change current regulatory regimes just for the sake of accommodating blockchain. A fully functional transfer agency system will be required to exist in these blockchain infrastructures.

For global organisations utilising multiple legacy systems and facing the real potential of converging global markets forced by the changing demographics and the call for fast and efficient solutions, this will be their worst nightmare, and one that will come at a seriously significant cost. Legacy systems will have to collapse into a single platform in order to support internal interfaces, or they will have to be completely re-written.

It will take too long for our industry to react and support the changing and disruptive world around it, and this will cause many to fail, thus allowing for new entrants with new technologies to occupy our space.

At Riva Financial Systems, we are already working on a proof-of-concept that leverages blockchain and distributed ledger technology for the entire spectrum of transfer agency functionality across product types and jurisdictions in a single offering. Riva is not limiting its proof-of-concept to single functional strands like know-your-customer or anti-money laundering processes.

We believe that a single, global transfer agency solution is the only way to address the complex challenges that the future delivery models will impose on transfer agencies. **AST**

It will take too long for our industry to react and support the changing and disruptive world around it, and this will cause many to fail

Ghassan Hakim, CEO, Riva Financial Systems

The countdown is on

The second wave of European margin rules are fast approaching, but are firms ready? Jenny Nilsson of triResolve addresses some of the questions

On 1 March, firms were given a six-month grace period to achieve full compliance with the non-cleared variation margin rules.

In what seems like the blink of an eye, the September deadline has now passed and firms need to look to the next regulatory milestone, 3 January 2018.

Recent research suggests that 90 percent of buy-side firms are still feeling at risk of not being compliant on time.

The main concern stems from the need for foreign exchange (FX) forwards to be collateralised under the European margin rules.

With less than four months until your firm needs to be compliant, the time to assess your internal operational processes and the options available for external support is now.

It's important to be aware of the key components of the regulation, what it means for your firm and how you can achieve compliance.

What does the 3 January deadline mean for the market?

There are three main challenges for your firm to consider ahead of the deadline, and each is set to significantly impact your operational processes:

- Some firms that have never exchanged margin previously will need to do so for the first time;
- Many more agreements will need to be margined; and
- Many more counterparties will be in scope.

As existing collateral management processes are typically manual, fragmented and inefficient, operational change across the industry is essential to meet these new demands.

What are the key components of the regulation?

European non-cleared margin requirements cited the classification of an FX spot transaction in MiFID II as an important precursor to the inclusion of FX forwards in the rules. With the classification complete and the MiFID II deadline set for 3 January 2018, all FX forwards will subsequently need to be collateralised.

What does it mean for firms that have never had to exchange collateral before?

Prior to any collateral changing hands, the first consideration is to negotiate and reach a decision on the legal agreements with your counterparties. Once the legal frameworks have been agreed, you will then need to be able to calculate margin and have an efficient process in place that allows you to quickly and easily exchange daily margin calls.

Agreeing the amount of margin to be exchanged is not always straightforward, and it's likely that you and your counterparties may disagree on the final amount. In this case, robust dispute resolution is imperative to be able to efficiently pinpoint where in your portfolio you have disputes, and to help you to understand what is driving them.

Why are margin call volumes set to drastically increase?

A large number of counterparty relationships only trade FX. As a result, the amount of agreements they will have to margin will increase substantially as of the deadline. This surge in collateralised relationships will drastically increase the number of margin calculations that need to be performed, resulting in many more margin calls that will need to be sent and agreed.

With over 45 percent of firms attempting to meet the deadline with five or fewer people, these volumes are set to substantially increase strain on existing collateral management functions.

I am not in Europe but my counterparties are, what does this mean for me?

Even if you are not located in Europe, you are indirectly affected by the rules if you trade FX forwards with a European counterparty.

This means all new FX forward trades that you execute with your European counterparties will have to be margined by the deadline, which will place additional strain on your operational processes.

Now I know the challenges, how can I overcome them?

The good news is that it's not too late for you to achieve compliance by 3 January, but you need to act wisely. If you are looking to put a collateral management process in place for the first time, look for a solution that is quick to implement and allows you to optimise your operational resources.

If you have an existing process in place, you will need to ensure it is scalable and exception-based. This is essential if you are to meet the demands presented by the increased volumes and the new in-scope counterparties.

The key is to bring your processes together and to focus on automation and exceptions. This will enable you to direct resources where it matters most—risk and compliance.

triResolve Margin provides a solution in both scenarios. As a web-based service, there is no installation necessary and you can be live as soon as the next day. Our team is available to provide full support throughout the onboarding process and beyond, at no extra cost.

Utilising triResolve's portfolio reconciliation data, triResolve Margin is unique in its ability to automate the collateral management process. You simply set the rules and tolerances and triResolve Margin presents the exceptions. Where you have disputes, triResolve Margin can show you where in your portfolio you have meaningful differences, while advanced analytics determine what is driving them. Once the deadline has passed, you will continue to benefit from a cost-effective, automated solution that brings your processes together.

What's more, triResolve Margin was voted the best collateral management solution in the FTF News Technology Innovation Awards in May, so you'll not only be in good company, but in safe hands. **AST**

If you are putting a collateral management process in place for the first time, look for a solution that is quick to implement and allows you to optimise your operational resources

Jenny Nilsson, Head of product marketing, triResolve

We need to talk about FX

Old habits die hard, and global asset owners are accustomed to outsourcing FX requirements. But many have accepted suboptimal execution and excess costs, says Mark Hogg, global head of currency overlay and FX product development at RBC Investor & Treasury Services

It is not difficult to understand how foreign exchange (FX) outsourcing models have evolved and become commonplace. Traditionally, FX execution on trade and income settlements has been viewed as a feature of the relevant securities trade rather than as a valuable standalone commodity.

This has resulted in an inefficient mosaic of FX activities, where each individual provider (asset manager and/or custodian) looks after a specific pocket of responsibility, with little focus on the consolidated picture of what will deliver the best result for the asset owner.

As the search for optimal returns in a low-risk environment heightens, how long will these models continue? Any transformational change to long-established practices requires a top-down focus from asset owners. By consciously unbundling FX execution from these historic associations, asset owners can potentially unlock hidden value while also gaining enhanced transparency and operational process consistency. The incumbents are, on the other hand, understandably less motivated to take the lead.

Neglecting to net FX flows across multiple investment managers and custodians is one of the biggest missed opportunities in today's fragmented execution world.

Take an everyday example: a global asset owner appoints a specialised asset manager to manage its global equities investment, and another expert in the field of fixed income. Both of these managers will individually instruct FX execution without any knowledge of what the other is doing. The asset owner will, over time, almost certainly miss out on the netting benefits possible, as one manager may be buying and the other selling the same currency. A central consolidated FX provider can cross these flows, prevent unnecessary trips to market, and pass this benefit back to the asset owner.

Advancements in technology are already delivering innovative outsourced products that increasingly automate FX execution workflows, particularly in G20 mature markets, outside of the traditional asset management and custodian sphere. More fee transparency and granularity, notably by custodians, is also helping to level the playing field and make it easier for asset owners to take back control on these legacy arrangements.

Technology continues to evolve, and it may soon be routine to award large global consolidated FX mandates on an independent basis, aided by relatively low switching costs. In simple terms, consolidating FX activity can deliver multiple benefits, such as:

- Minimising all-in execution costs
- Capturing netting opportunities
- Standardising execution methods and models
- Providing a single one-size operating model
- Enhancing transparency and oversight

FX consolidation does, however, have its own risks. Once the decision is taken to employ a consolidated FX provider there are important questions to be answered, such as when to execute netted FX volumes and how to benchmark the execution rates being achieved. Independent published fixings can be helpful in these situations, as can more formal transaction cost analysis.

The further layering of passive, dynamic or fully active currency overlay on top of consolidated operational FX solutions can produce further synergies and cost savings.

Another important consideration is whether to execute FX transactions on a principal or agency basis. Many service providers are banks and can provide a one-stop shop where they are execution agent and counterpart to the trades. Others will execute as agent with a panel of bank and non-bank FX liquidity venues directed by the client. Both models are valid choices, but there are different implementation considerations. Close consultation with a trusted advisor is the key to making sound decisions for the long term.

Consolidating FX should reduce overall cost of the asset manager's portfolio. In addition, by consolidating and automating this asset management 'feature' of trade settlement, enabling it to evolve into a standalone commodity, the potential for a reduction in asset management fees could exist, potentially revealing another tangible benefit for the asset owner. **AST**

One small step for a fund

The FundsDLT platform may have passed a testing milestone, but it's just one step in the journey towards a blockchain-based funds distribution solution, according to Maxime Aerts of Fundsquare

A significant step has been taken towards blockchain technology helping asset managers to distribute funds more efficiently and improving client experience. For the first time, fund shares have been purchased using digital ledger technology and smart contracts on the FundsDLT platform. Some of the biggest names in the industry are working to bring this Luxembourg-based project to market.

New technology will help asset managers attract new clients; distribution costs need to fall, and investor experience at the point of sale must improve. Achieving efficiencies requires a reshaping of the way orders are collected and processed. Cross-border fund distribution is a complex business, made tougher still by increasing regulatory demands, but streamlining the morass of point-to-point communication channels with blockchain could result in substantial improvements.

Sophisticated ecosystem

The mutualisation of data sharing and order processing through a central counterparty already helps to simplify matters, and blockchain technology can take this to the next level. It would help create a decentralised but unified ecosystem of activities related to transfer agency, custody, distribution, settlement, and clearing. This would feature connectivity and transactions executed automatically using smart contracts, including links to know-your-customer (KYC) hubs for quick client identification and onboarding.

The system will enable stakeholders to develop applications and products that would improve the customer experience by digitalising interactions. For example, through a user-friendly interface, an investor would apply to purchase fund shares, provide KYC-related information and then supply cash through a digitalised token. Transfer agents would then validate the KYC requirements and order acceptance, while an asset manager could see inflows and outflows in the registrar in real time. Once the net asset value has been published, the settlement process would be executed instantaneously.

Proof of concept

These are still early days, but the full potential was demonstrated over the FundsDLT platform on 5 July. Fund shares and cash changed hands for the first time on this blockchain-powered private distribution system as Natixis Asset Management successfully sold a range of fund shares with subscription orders made using a mobile app and transmitted automatically to FundsDLT. This information was then accessed by Natixis AM and other interested parties, including the transfer agent CACEIS, which then was able to approve or decline the applications.

Following approval, the clearing and settlement process was triggered. All this interaction took place on FundsDLT, and the cash and payment process was then handled using a related specialised online payments solution.

DLT stands for distributed ledger technology, a peer-to-peer network on which time-stamped records can be made visible to all users. It is the technology that powers blockchain and thus crypto-currencies. These ledgers can be public and viewable by anyone (as is the case with bitcoin and the rest), or they can be limited to a specified number of users.

FundsDLT is being developed by Fundsquare, the Luxembourg-based investment fund order routing and information services specialist; InTech, an IT solutions firm; and consultants KPMG Luxembourg. Testing is also being aided by some of the biggest names in the industry.

Following the successful completion of the first transactions, the team is now looking to make the system more robust, as well as investigating other uses and applications.

New possibilities

What other types of efficiency gains may be possible with this Blockchain ecosystem? Smart contracts enable operations to be enacted automatically without human intervention, when certain conditions are met. FundsDLT features three smart contracts, including an order management system (OMS) smart contract that could govern order routing and the creation of investor accounts.

This would route the order from the investor to the transfer agent and execute the delivery-versus-payment of shares against cash on the transfer agent and investor accounts.

Then there are cash central counterparty-clearing smart contracts, with FundsDLT directing cash movements that mirror the clearer account on blockchain. Transfer agency smart contracts could create shares on the transfer agency account on the blockchain, for use by the OMS smart contracts.

Creating critical mass on a blockchain platform would also open the way for innovations such as sophisticated analytics that could extract value from the mass of data. This new approach will also incentivise players to add value, particularly for transfer agency functions. Similar opportunities will open up regarding order processing, cash management, transfers, payments, KYC and due diligence, correction of related errors, and more. The potential for new value adding services from greater mutualisation is vast.

Since FundsDLT was launched in December 2016, the concept behind it has been proven, and development and testing will continue, with the planned implementation of an industrialised product due in 2018.

This could be the efficiency and flexibility breakthrough the fund industry has been waiting for. **AST**

Creating critical mass on a blockchain platform would open the way for innovations such as sophisticated analytics that could extract value from the mass of data

Maxime Aerts, COO, Fundsquare

Outsourcing is the new black

Calling on the professionals for services such as withholding tax reclamation could save firms precious hours and pennies, according to Vicky Dean, director of witholding tax sales at Goal Group

It is undeniable that the financial services industry is continuing to recover from the recession and that downsizing, automation and risk management play ever-increasing roles within the scope of both businesses and projects worldwide. Frequently, the questions asked relating to middle- and back-office processes revolve around building, buying or outsourcing. However, these projects have the potential to exhaust valuable resources such as time and money. Why waste time, which is increasingly precious, and money, which is also not as readily available as it once was, when simply outsourcing certain processes could solve everything? Outsourcing really is the new black.

Goal Group, which is headquartered in London, has existed for over 25 years, providing recovery services for investors within securities class actions and cross-border withholding tax reclamation. Since its incorporation in 1989, Goal Group has developed a number of programmes and systems that automate the processes of both of the aforementioned services, thereby removing risk and reducing processing time.

With ISO27001 accreditation, which proves the group maintains high levels of data security, and the recent addition of the American depository receipt (ADR) recovery business, Goal Group is now a leading provider of these services to custodians, depository banks, downstream participants, individuals and funds, to name but a few.

In March 2017, Goal launched its ADR recovery service, adding another valuable and crucial service to investors. Recently appointed by one of the largest depository banks, it is now positioned as a credible alternative to other global competitors, with its technology platform linked to its existing automated tax reclamation software.

If you have read this far and don't know whether Goal Group's services are relevant to you, then ask yourself the following questions: Do you have any investments in any other country that is not your residency? Do you receive dividend payments on these shares? Did you know that you are taxed twice on this income and that you are eligible to reclaim this money back, as it is, after all, rightfully yours?

Our research shows that, in 2013, approximately £13.2 billion of investors' rightful returns from foreign shares and bonds are lost because withholding tax on dividends and income is not being fully reclaimed. Investors domiciled in the US relinquished £2.5 billion in 2014, up from £1.8 billion two years previously.

UK investors suffered the biggest losses out of all major European markets, missing out on £910 million in recoverable returns, a significant increase since 2012 (£756 million).

Some investors and advisers still believe that the withholding tax reclamation process is so complex and labour-intensive that this outweighs the advantages of providing the service. However, with the right technology and support, this is not true. Indeed, many investors are waking up to this fact and demanding that steps are taken to ensure their returns are maximised and that measures are in place to return what's owed.

But, what is the best way to achieve this? While some companies may consider managing the reclamation process themselves, the arguments in favour of outsourcing or buying a commercial enterprise solution from a qualified tax reclaim provider are compelling.

Goal Group is growing and expanding its global footprint exponentially. The company now has offices in New York, Philadelphia, San Francisco and Melbourne. All offices contain industry experts and all locations provide processing capabilities enabling them to deliver a global service, locally. The most recent addition, New York, is the home of the ADR processing, class actions and tax reclaims operations team, placed to maintain contact with the Depository Trust & Clearing Corporation and the depository banks, and to provide a seamless and efficient service to all participants.

Since 2015, Goal Group has experienced an increase of around 150 percent in processing reclaims for withholding tax, which have been outsourced to them. This number is continuing to rise as more custodians, private banks, depository banks, individuals and fund managers look to outsource this function, as opposed to developing and providing a solution in-house. Factors such as market complexities, legislation, form and rate changes, documentation and the manual need to fill in hundreds of forms requires several resources, which in the current economic climate, is just not an option.

This is further accentuated with the additional pressures of budget cuts, loss of headcount, balance sheets and additional workload required just to survive. By outsourcing, not only are you placing the work in the hands of trusted and experienced professionals, you are also balancing risk and providing a valuable service to your clients. Let's be honest, everything is precious nowadays: don't waste your time, don't waste your money, don't waste your effort—outsource. **AST**

The latest industry vacancies

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Selby Jennings

Singapore

A top Asian bank is looking for a credit auditor. This is a regional senior position and the successful candidate will be responsible for leading a team, while reporting straight to the managing director

Sales and relationship manager, Nordics

HornbyChapman

Stockholm

An international custodian is looking for an experienced sales and relationship manager for its Stockholm office. Experience required, plus a good Rolodex of contacts at a broad range of Nordic financial institutions and a solid knowledge of the securities services segment

Admin assistant

Bruin

London

A very well recognised asset management firm is currently seeking a administrative assistant to join its team. This is a wonderful maternity cover opportunity, starting immediately

Investor services sales associate

HorbyChapman

London

A major global bank is looking for a candidate early in their career with commercial and sales attributes and an interest in ‘learning on the job’ through close ties with a director in the investor services space


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Comings and goings at Deutsche Bank, Pershing, Strate and more

Strate CEO Monica Singer will leave the South African central securities depository (CSD) at the end of this month after nearly 20 years of service.

Maria Vermaas has been appointed as interim CEO in her place.

According to Strate, Singer was responsible for transforming the CSD into one of the world's most successful settlement and clearing organisations.

She oversaw the introduction of electronic settlement in the South African financial markets and created a network that will continue to help Strate share ideas at an international level.

Singer is also vice president of the Africa & Middle East Depositories Association (AMEDA) and holds a role at the World Forum of CSDs.

Rob Barrow, chairman of Strate, said: "The board, together with the executive team and staff, would like to thank Monica Singer for her contribution to Strate and the legacy that she has left behind. We would like to wish her all the best for her future endeavours."

Singer commented: "I have always had a passion for innovation and technology that drives societal change. With the potential disruption that the financial markets may face, particularly with disruptive technologies like blockchain, I will continue to research to stay ahead of developments, which may lead me to consulting on these topics."

BNY Mellon's Pershing has promoted Jim Crowley to the position of COO, effective immediately.

Crowley has been at Pershing for almost 35 years, working in relationship management and operations, and is already a member of the executive committee.

He moves on from his previous position as chief relationship officer, which he had held since 1995.

Crowley is credited with building a strong client relationship network, and with leading development of Pershing's client experience strategy. He has also sat on the board of trustees of the Securities Industry Institute since 1988, holding the chair position between 2007 and 2009.

Pershing CEO Lisa Dolly said: "We believe the client experience is driving business decisions today, and will into the next generation."

She added: "Jim Crowley has been working closely with our clients to understand their needs, and his leadership will help us to continue to deliver solutions that empower our clients and improve the overall experience."

Private equity fund administrator Gen II Services has appointed Shaun Buckley as managing director in its new Boston office.

The office, located in the city's financial district is the third client service centre for the administrator, adding to existing offices in New York and San Francisco.

Buckley joins from State Street, where he spent 10 years as vice president for the private equity fund services business.

Norman Leben, managing principal of the Boston office at Gen II, said: "This expansion represents a vital part of our strategic plan to thoughtfully build out our servicing capabilities throughout key markets across the US."

Steven Millner, managing principal of Gen II, commented: "We are dedicated to consistent, long-term investment in our people, processes and technology."

"The addition of Shaun Buckley and a growing team of highly qualified and experienced professionals in our Boston, New York and San Francisco offices underscores this commitment."

Ogier has bolstered its investment funds partnership team in Cayman, with the promotions of Joanne Huckle and Piers Dryden.

Huckle and Dryden were both previously part of the Cayman investment funds team, and take the firm's global partnership to 54.

Huckle advises Ogier's investment funds clients on open and closed-ended mutual fund and private equity fund structures. She also has experience advising on international corporate transactions, including mergers and acquisitions, IPOs, rights issues, Islamic bond issues and restructurings.

Dryden currently works in Jersey, leading Ogier's Cayman law offering in the European timezone. He brings experience in advising on corporate matters, including for public and private mergers and acquisitions, corporate restructurings, joint ventures and rights issues.

In addition, Dryden has advised on the full process of launching private equity funds, utilising cryptocurrency and blockchain technology.

James Bergstrom, head of Ogier's Cayman office, said: "Our strategic growth in Cayman continues, and these promotions are well-deserved recognition of these individuals' contributions to the success of our leading investment funds team and their commitment to excellence in client service."

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Postbank chairman Frank Strauß is to join the management board of Deutsche Bank, following the merger of Postbank with Deutsche Bank's private and commercial clients business.

Effective from 1 September, Strauß will co-head the private and commercial bank within the group, alongside Deutsche Bank president Christian Sewing.

Strauß and Sewing will be jointly responsible for managing the merger, and Strauß will also remain in his role as chairman of the management board of Postbank. The announcement comes after regulatory requirements for Strauß's appointment were met.

Strauß previously worked for Deutsche Bank between 1995 and 2011, holding several management positions including head of private and business clients for Germany. In 2011, he joined Postbank as managing board member responsible for sales, and became chairman of the firm a year later.

Paul Achleitner, chairman of the supervisory board of Deutsche Bank, said: "We are strengthening our management board by appointing such a distinguished expert in private and commercial banking."

He added: "Together with Christian Sewing, Frank Strauß will ensure that the upcoming merger will combine the best of both worlds."

Deutsche Bank has also appointed Anand Rengarajan as head of securities services for the Asia Pacific (APAC) region.

Rengarajan will be based in Singapore and will report to Satvinder Singh, global head of securities services. Regionally, he will report to Lisa Robins, head of global transaction banking for the APAC region.

Since joining Deutsche Bank in 2000, Rengarajan has held various roles within the company, most recently serving as co-head of investor services for APAC.

Singh said: "With his wealth of experience in building businesses across APAC, Anand Rengarajan will be an invaluable resource in driving further growth for the securities services business in this important region."

Finally, Deutsche Bank's Mark Law has left the group to join alternative fund administrator Sanne Group as managing director of its Asia Pacific and Mauritius business.

Law led the custody, clearing fund administration and securities lending business for the Asia Pacific at Deutsche Bank, overseeing 12 jurisdictions.

In his newly-created rolle at Sanne, he will focus on expanding alternative asset capabilities, working initiatives to develop Asia-specific services and bespoke client solutions. **AST**