asset servicing times
The primary source of global asset servicing news and analysis
Issue 178 15 Nov 2017

# "No greater threat" than cyber, says SIFMA

Cybercrime poses a serious threat to financial stability, according to Kenneth Bentsen, president and CEO of the Securities Industry and Financial Markets Association (SIFMA).

Testifying before a US House of Representatives committee financial services subcommittee hearing on data security, Bentsen stated: "There is likely no greater threat to financial stability than a large-scale cyber event."

The financial services industry, in particular, is a top target, facing tens of thousands of attacks every day, he said, adding that an attack on the industry could have serious ramifications.

He said: "While data breaches of customer information dominate headlines, and are an appropriate concern for policymakers, a major cyberattack on critical financial market infrastructure or one that destroys records and financial data, is a risk with a potentially far larger impact on the economy."

Improving harmonisation of regulatory standards and supervision could play a large part in tackling this risk.

The emergence of several different regulatory regimes has meant industry resources have been diverted towards compliance, rather than to security itself. Collaboration between industry players and regulators is key here, Bentsen said.

"It is important to recognise that no single actor—not the federal government, nor any

Continued on page 2

Visit www.assetservicingtimes.com for the latest daily news updates

At your side worldwide.

www.commerzbank.com/worldwide

The Euromoney Awards for Excellence honoured Commerzbank as Germany's Best Bank for its strategic approach that is creating a 'stable, efficient and more profitable lender' amidst challenging times for the German banking sector. Euromoney, 07/2017 issue

COMMERZBANK
The bank at your side

## SIFMA: "No greater threat" than cyber

Continued from page 1

individual firm—has the resources to protect markets from these threats on their own."

"It is critical that we establish a robust partnership between industry and government to mitigate cyber threats and their impact. The industry's resiliency will not be fully effective without the government's help, and vice versa."

He highlighted the importance of stringent data protection, raising concerns around the Securities and Exchange Commission and self-regulatory organisations' (SROs) Consolidated Audit Trail (CAT), suggesting that the latest CAT technical specifications have included "alarmingly few details on data security and protection".

Finally, Bentsen stressed that SIFMA is working closely with the securities industry on developing best practices for cybersecurity, and noted that security is a "combination of activities that relies on strong defences, information sharing, mitigation and recovery planning".

He said: "The securities industry is constantly working to improve cyber defenses, resiliency and recovery through massive monetary investment in technology and personnel, regular training, industry exercises, and close coordination between the financial sector and the government, including our regulators."

# Asset Servicing Times issue 178


## News Round-Up

BNP Paribas's assets under custody increased by 9.1 percent to €9.3 trillion in Q3 2017, up from €8.5 trillion in Q3 last year

p6

## Margin Rules

The next implementation phase of the BCBS-IOSCO margin rules is on the horizon, and the buy side could use it as a springboard for long-term gain

p11

## Blockchain Pilot

Broadridge has finished its latest blockchain pilot. Horacio Barakat outlines the progress made

p17

## Technology Update

The UK's pensions industry is facing challenges from all angles, but KAS Bank's cost transparency dashboard is here to lend a helping hand

p21

## LSE and APIR bring LEIs to Australasia

The London Stock Exchange (LSE) has partnered with APIR Systems to offer a legal entity identifier (LEI) solution to firms in Australia and South East Asia.

APIR Systems will be able to utilise the solution to comply with LEI requirements under the incoming second Markets in Financial Instruments Directive (MiFID II), among other regulatory frameworks.

LEIs are required as a global standard providing improved transparency of financial transactions across jurisdictional borders. According to exchange, the process of acquiring an LEI has recently become more complex, with level-two data requirements requesting mandatory information on an entity's parent-child hierarchy.

Industry estimates suggest more than 250,000 entities are still without the required LEIs, according to LSE.

APIR Systems, which will act as a registered agent in the region, will continue to assist clients with understanding their LEI requirements but will now send details to LSE for validation and approval.

The European Securities and Markets Authority (ESMA) has stated that firms should not trade with counterparties that do not have an LEI as they will not be able to submit valid transaction reports.

Chris Donohoe, CEO of APIR Systems, said: "As Australia's identification standard for a range of unlisted financial instruments since the late 1990s, it is a natural evolution for APIR Systems to join the global LEI initiative."

"In 2015, APIR began issuing LEIs and it has now evolved that service by partnering with LSE to leverage their technical expertise and global scale."

"Although MiFID II is relatively new to Australian entities it does impact a broad range of financial services firms that transact with European counterparties, including funds, self-managed super funds and traders."

"The relationship with LSE offers benefits for both our existing clients and the new client segments that will soon be impacted by these changes."

Pritha Sharma, manager of LEI and information services at LSEG, added: "This partnership between LSE and APIR systems

RDU
The SmartStream Reference Data Utility

smartstreamrdu.com

# Simplifying Reference Data. Together.

Established as an industry utility based on the principle of market commonality, collaboration and contribution, the SmartStream Reference Data Utility (RDU) delivers a cost efficient approach to realize the truth of the data contained within the industry with guaranteed results.

Managing data holistically across legal entity, instrument and corporate action data, this shared service model promotes fixes to data processing across the instrument lifecycle and the events that originate and change data.

**Join the revolution, contact us today: info@smartstreamrdu.com**

demonstrates our ongoing commitment to help market participants comply with a wide range of regulation."

"This partnership between LSE and APIR looks to promote the LEI and raise awareness of the use of the identifier, particularly in the Australasian market."

### Japan earmarks Q2 2019 for T+2 shift

Japan has unveiled a "tentative" timeline for its exchanges' shift from a T+3 to T+2 settlement cycle, with an eye towards Q2 2019.

The implementation date will be determined by the middle of 2018 and is susceptible to changes due to discussions with market participants and "other matters".

In-scope exchanges include the Tokyo Stock Exchange, Osaka Exchange, Nagoya Stock Exchange, Fukuoka Stock Exchange, and the Sapporo Securities Exchange.

SBI Japannext and Chi-X Japan are also planning to shorten their cycles in line with these exchanges.

This decision to shorten the cycle is based on a Japanese work group report on the possibility of a shorter settlement cycle, published in June 2016.

In a statement on the initial timeline, the Japan Exchange Group said: "This decision was made in recognition of the urgency and importance of realising a secure and efficient securities settlement system for enhancing the international competitiveness of Japan's securities market."

It added: "The tentative implementation period is scheduled for April or May 2019, as described in the final report."

A move to T+2 has the advantage of bringing Japan in line with the major US and EU markets, among others.

North American securities markets cut their settlement cycles from T+3 to T+2 on 5 September.

### Opus partners with Fenergo on KYC

New York consultancy firm Opus has partnered with Fenergo, a provider of client lifecycle management (CLM) software solutions, to integrate risk data into the know-your-customer (KYC) process.

Opus's knowledge in curating external data will power Fenergo's risk scoring regulatory rules engine and CLM software, to provide a solution for regulatory reporting frameworks including KYC and anti-money laundering requirements.

According to Opus, clients will benefit from an automated process to integrate and then continuously monitor client entity data.

The partnership will also enable further integration by making use of external data sources, including sanctions lists, business news, economic data and shareholder data.

Emanuele Conti, CEO of Opus, said: "Our market-leading data solutions have been powering many of the largest global financial institutions' needs in the areas of KYC, AML and other compliance processes."

He added: "We are delighted to partner with Fenergo where an increasing number of clients look to modernise their CLM process."

Marc Murphy, CEO and founder of Fenergo, commented: "Our partnership with Opus, the proven leader in data aggregation and integration, will enable clients to understand complex data sources and develop clearer, quicker views into entity ID verification, beneficial ownership, and customer due diligence relevant content from both premium and open sources, allowing them to minimise KYC risks through world-class technology."

# WE ARE THE BANK

## BUILDING LASTING RELATIONSHIPS

**SOCIETE GENERALE SECURITIES SERVICES**

TOGETHER WE FIND THE RIGHT POST-TRADE SOLUTIONS THAT HELP DRIVE YOUR BUSINESS

SECURITIES-SERVICES.SOCIETEGENERALE.COM

BUILDING TEAM SPIRIT
**TOGETHER**

Societe Generale Securities Services is a marketing name for the securities services businesses of Societe Generale and its affiliates worldwide. Societe Generale is regulated and authorised by the French Autorité de Contrôle Prudentiel and Autorité des Marchés Financiers. This material has been prepared solely for information purposes and does not constitute an offer to enter into a contract. Not all products and services offered by Societe Generale are available in all jurisdictions. Please contact your local office for any further information. 2017 Societe Generale Group and its affiliates. © GettyImages - FRED & FARID PARIS

## Ebury exports transaction services offering to Canada

Ebury, a financial technology firm focused on global transaction services, is opening an office in Toronto, taking its services outside of Europe for the first time.

The new office is intended to support rising demand for international currency payments and collections, foreign exchange risk management and import finance solutions from Canadian businesses. It will be led by Matthew Acton-Davis, who has been named country manager.

According to Ebury, the firm is now planning to scale its business globally, through a rapid expansion across the US and Canada in 2018.

The London-based company currently employs 600 staff in 10 countries in Europe, and has plans to make this 1000, globally, before the end of May 2018.

Acton-Davis said: "Ebury's value proposition of providing service levels that are normally reserved for only the largest corporates, has shown huge value thus far and I believe that we can help a vast number of companies in Canada to grow internationally, with a suitable product suite coupled with an appetite to give businesses terms that suit their needs."

Juan Lobato, CEO and co-founder of Ebury, commented: "Having Matthew Acton-Davis with his experience at Ebury to assist our clients and grow the team is fundamental to the success of Ebury in helping companies achieve or exceed their international trading goals."

He added: "This is all part of the continued successful expansion at Ebury, where we already have offices in London, Madrid, Malaga, Amsterdam, Warsaw, Paris and Zurich. These offices have been boosted by key hires from the banking and payments industry as Ebury continues to source the best talent in the space and develop internally."

Affected securities include equities and corporate and municipal bonds, and unit investment trust (UIT) trades in the US, Canada and Mexico, Peru and Argentina.

The EU moved to a T+2 settlement cycle in 2014.

The transition aims to reducing operational and systemic risks by forcing securities through the market infrastructure quicker, thereby allowing counterparties to avoid trade failures.

### R3 and SIA push for blockchain

R3 and SIA have teamed up to accelerate the adoption of blockchain applications by 600 banks and corporates.

The partnership will aim to speed up the global development of blockchain through SIAnet's network of 600 nodes, provided to financial institutions, corporates and public administrations.

SIA will develop SIAchain, a network that will be integrated with R3's Corda platform, allowing institutions to run applications designed specifically to their needs, or CordDapps.

According to SIA, the SIAchain infrastructure guarantees a standardised operating context to registered members, reducing time and operating costs.

Corda, a distributed ledger technology, has been developed over the past two years in partnership with R3's 100 members, in order to build a "diverse ecosystem" of applications on the platform to provide a "unique solution" to market challenges.

Massimo Arrighetti, CEO of SIA, said: "The collaboration with the R3 consortium is a milestone in our blockchain strategy."

"We will integrate on SIAchain, which rests on roughly 600 nodes of the SIAnet network throughout Europe, the most advanced technologies available and we will develop innovative applications for financial institutions, corporates and the public sector."

RBC Investor &
Treasury Services

**Exceptional** Client Service
**Assured** Financial Strength

With award winning client service and over 100 years' experience delivering specialist asset services solutions, RBC Investor & Treasury Services helps institutional investors around the world mitigate their operational risk and maximise their operational efficiency.

To discover how we can help support your market and product expansion, visit **rbcits.com**

Distribution Services | Securities Processing & Administration | Information Management | Transaction Banking | Optimisation

RBC Investor & Treasury Services™ is a global brand name and is part of Royal Bank of Canada. RBC Investor & Treasury Services is a specialist provider of asset servicing, custody, payments and treasury services for financial and other institutional investors worldwide. RBC Investor & Treasury Services operates primarily through the following companies: Royal Bank of Canada, RBC Investor Services Trust and RBC Investor Services Bank S.A., and their branches and affiliates. RBC IS Bank S.A. is supervised in Luxembourg by the CSSF and the European Central Bank. In the UK, RBC I&TS operates through RBC Investor Services Trust, London Branch & Royal Bank of Canada, London Branch, authorised and regulated by the Office of the Superintendent of Financial Institutions of Canada. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Additionally, RBC I&TS UK operates through RBC Europe Limited, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. In Australia, RBC Investor Services Trust is authorized to carry on financial services business by the Australian Securities and Investments Commission under the AFSL (Australian Financial Services Licence) number 295018. In Singapore, RBC Investor Services Trust Singapore Limited (RISTS) is licensed by the Monetary Authority of Singapore (MAS) as a Licensed Trust Company under the Trust Companies Act and was approved by the MAS to act as a trustee of collective investment schemes authorized under S 286 of the Securities and Futures Act (SFA). RISTS is also a Capital Markets Services Licence Holder issued by the MAS under the SFA in connection with its activities of acting as a custodian. In Guernsey, RBC Offshore Fund Managers Limited is regulated by the Guernsey Financial Services Commission in the conduct of investment business. Registered Office: PO Box 246, Canada Court, St Peter Port, Guernsey, Channel Islands, GY1 3QE, registered company number 8494. In Jersey, RBC Fund Administration (CI) Limited is regulated by the Jersey Financial Services Commission in the conduct of fund services and trust company business in Jersey. Registered office: Gaspé House, 66-72 Esplanade, St Helier, Jersey JE2 3QT, Channel Islands. Registered company number 52624. In Hong Kong, RBC Investor Services Bank S.A. is a restricted license bank and is authorized to carry on certain banking business in Hong Kong by the Hong Kong Monetary Authority. RBC Investor Services Trust Hong Kong Limited is regulated by the Mandatory Provident Fund Schemes Authority as an approved trustee. ® / ™ Trademarks of Royal Bank of Canada. Used under licence.

David Rutter, CEO of R3, said: "In addition, leveraging connectivity to existing networks such as SIA's helps speed up adoption and implementation of DLT across global financial markets."

## MiFID II creates uncertainty for EEA

European Economic Area (EEA) members remain in the dark over the EU's authority to impose the second Markets in Financial Instruments Directive (MiFID II) following the January 2018 deadline, according to Finanstilsynet, Norway's supervisory authority.

Finanstilsynet plans to implement MiFID II into law in line with next year's deadline in order for Norwegian institutions to maintain parity with their peers based in member states, despite the rules not being incorporated in the EEA agreement.

In a statement on the country's regulatory roadmap, Finanstilsynet said: "[We] will in the near future adopt the Norwegian regulations as announced. However, much uncertainty relates to the European Securities and Markets Authority's (ESMA) assessment of the EEA legal basis for ESMA's treatment of Norwegian trading venues and investment firms."

For EEA members, ongoing equal treatment is dependant on the decisions of ESMA.

ESMA will be responsible for adding Norwegian financial services to its list of institutions that meet necessary requirements related to MiFID II and the accompanying regulation, MiFIR, immediately after the implementation date.

Finanstilsynet's concerns highlight problems that other third-party members and neighbouring economies will face in the future. For example, the UK will face similar issues in the years to come amid the uncertainty surrounding Brexit negotiations.

The UK's Financial Conduct Authority (FCA) has indicated it will accept a soft roll out of the second MiFID II, come January.

Speaking at the AFME European Compliance and Legal Conference in September, Mark Steward, executive director of enforcement and market oversight, told delegates: "we [the FCA] have no intention of taking enforcement action against firms for not meeting all requirements straight away where there is evidence they have taken sufficient steps to meet the new obligations by the start-date, 3 January 2018."

The looming pressures of Brexit mean that the FCA is unlikely to increase its investigative work against potential financial misconduct as the extra resources that would require are not feasible.

Deutsche Boerse subsidiary Clearstream confirmed it will continue to offer stable custody services to its UK-based clients no matter how the Brexit negotiations evolve.

Clearstream outlined its existential incentive in maintaining and nurturing its existing strong and proven relationships with London-based firms in its monthly transaction data report for September.

The international central securities depository said it is preparing for Brexit by joining forces with all other entities of Deutsche Boerse Group.

Despite the uncertainty that came after the referendum result, Clearstream said its main objective throughout Brexit is to minimise risk in cross-border settlement.

However, it is unclear how Clearstream and other financial services providers will be able to provide for their UK clients if the current Brexit negotiations fail to yield a viable deal for financial services to operate across the channel after the March 2019 deadline.

## MiFID II remains a concern for buy side

Some 28 percent of buy-side representatives were still unsure if and how their firm will be affected by the second Markets in Financial Instruments Directive (MiFID II) just 90 days before the implementation deadline, according to a SimCorp survey.

In the survey of 150 North American buy-side participants from across 68 firms, 58 percent of participants confirmed that they will need to comply with MiFID II.

However, of that figure, only 23 percent said they feel "extremely confident" that they will have a plan in place in time for the 3 January implementation deadline, while 77 percent said they were either "somewhat" or "not at all" confident.

Respondents were also questioned on what they considered to be the most significant operational challenges.

Over half, 56 percent, thought that complying with transaction reporting requirements would be a biggest challenge, while 50 percent named understanding the new market structure as an issue.

Finally, 45 percent thought that the unbundling of research and execution would be an operational challenge.

The SimCorp study follows a recent survey from Teleware, which also revealed that there are still a large number of firms that are not prepared for the MiFID II implementation date.

It found that almost half, 47 percent, admitted better education is required on the finer details of what MiFID II requires of them, while only 42 percent said people in their firms are "aware of MiFID II and are familiar with the requirements".

Perhaps a bigger concern was the 7 percent of those surveyed who said that employees are still "not aware of MiFID II and are not familiar with the requirements".

Gernot Schmidt, product manager of MiFID II at SimCorp, described MiFID II as "one of the biggest pieces of regulation to ever hit the buy-side industry".

Schmidt said he is "not surprised by the extent of uncertainty and concern reflected in the research and poll results", and added that "it [makes sense] that the new transaction reporting requirements rate high on the list of concerns".

He added: "Daily detailed transaction reporting will be expanded to a much larger set of instrument types, which will call for data gathered from additional source systems to be aggregated."

# Global Software Solutions for the Asset Management and Fund Servicing Industry

## Riva - the future of TA

**The success of global asset administration relies upon forward thinking, cost effective, technology solutions to efficiently support the markets of today and the opportunities of the future.**

Showcasing modern operations, with effective and speedy product launches in environments where regulatory compliance is increasingly demanding, Riva Financial Systems offers the Riva TA solution capable of servicing multiple jurisdictions and product types across the globe on a single platform with a low cost of ownership.

For further information or to request a demonstration:

## Luxembourg funds hit €4 trillion in AUM

Luxembourg-domiciled funds have reached a record €4 trillion of assets under management (AUM), as of 30 September 2017, according to latest figures from The Association of the Luxembourg Fund Industry (ALFI).

The figures represent a 7.9 percent increase since the start of the year, a result that has been attributed mainly to an increase it net asset sales. According to ALFI, Luxembourg is the second largest fund domicile after the US, and it has taken just three years for funds to increase their AUM from €3 trillion to €4 trillion.

Denise Voss, chair of ALFI, said: "This increase in AUM clearly demonstrates the confidence that asset managers, fund distributors and investors have in our fund centre."

Luxembourg distributes funds to over 70 countries and has a total of 4,110 funds domiciled in the country.

Voss said: 'Not only have we experienced growth of traditional UCITS funds domiciled in Luxembourg, we have also seen an increase in the AUM of alternative investment funds, especially in the areas of private equity and real estate."

She added: "This increase in AUM is good news for Luxembourg but also good news for the UCITS and alternative investment fund brands, and the European fund and asset management industry as a whole.

It clearly shows that people recognise the growing importance of investment funds in providing for their financial future."

This aspect of MiFID II also provides a compelling case for systems and data integration and increased automation."

### BNP Paribas posts positive Q3 results

BNP Paribas's assets under custody increased by 9.1 percent to €9.3 trillion in Q3 2017, up from €8.5 trillion in Q3 2016.

In addition, assets under administration increased by 19.4 percent on Q3 2016, rising from €1.9 trillion to €2.3 trillion.

According to BNP Paribas, this can be partially attributed to the "ramping up of new mandates" and the launch of a triparty collateral management offering.

Securities services revenues were also up on Q3 2016, rising by 4.2 percent to €476 million in Q3 2017. Year-to-date, revenues reached €1.45 billion, up 6.8 percent compared to the same time period last year.

The number of transactions processed in Q3 2017 increased by 7.8 percent, compares to the same period last year.

The report suggested that the positive securities services results were an "effect of the rise in volumes and of the new mandates".

In September, Mizuho Trust & Banking selected BNP Paribas Securities Services as its sub-custodian and settlement agent in Brazil.

The firm also launched its triparty collateral management service in October, in order to unlock liquidity pools, while offering users the ability to provide access to segregated markets, opening untapped sources of collateral.

Patrick Colle, general manager of BNP Paribas Securities Services, said of the new service: "BNP Paribas Securities Services has a strong and diversified client base, which puts us in an ideal position to ease the circulation of collateral between buy and sell-side market participants as well as central clearing counterparties—something that few collateral platforms do today."

# When life gives you margin

## The next implementation phase of the BCBS-IOSCO margin rules is on the horizon, and the buy side could use it as a springboard for long-term gain

*Drew Nicol reports*

The medley of regulatory frameworks currently slotting into place across financial markets make it easy to become absorbed in the pressure to meet a succession of deadlines, and to forget the fundamental reason these new initiatives are being enforced.

With so much going on, time is limited for crucial conversations that identify the opportunities arising and explore whether internal systems and processes are still fit-for-purpose.

One such regulation is the Basel Committee on Banking Supervision (BCBS) and the International Organization of Securities Commission (IOSCO) covering initial and variation margin requirements for non-centrally cleared derivatives.

Focusing on variation margin, daily exchange became mandatory for some major market participants on 1 September 2016, and for all other in-scope entities as of 1 March 2017. However, due to the complex logistical constraints in re-papering existing agreements, global regulators issued a 'no action relief' until 1 September 2017.

The next phase, scheduled for January 2018, will see foreign exchange (FX) forwards and swaps brought into scope, likely resulting in an exponential increase in the volume of margin calls. This not only places a strain on already-burgeoning workflows, but is also revealing worrying limitations of overburdened, siloed and often legacy technology, which is unable to support change effectively across the buy-side organisation.

### Making lemonade

Mark Baker, product manager for collateral management at SimCorp, argues that the incoming margin rules present the buy side with a chance to change and integrate the technology infrastructure, front through back, and claim long-term business benefits that will ultimately affect the bottom line.

"BCBS-IOSCO margin rules mean that collateral management is no longer a periodic back-office function, the new regulation will continue to see it pervading into the front office's daily workflow," says Baker.

"The challenges in complying with this new front-to-back regulation, highlight the current limitations and siloed workings of many asset managers' technology and business infrastructures. If you're an asset manager and you do it right, compliance does not necessarily mean increased cost. There are overall performance benefits, which may have been previously overlooked, that will come into view, such as empowering the front office with crucial data that is often siloed away in the back-office domain, enhancing pricing, cash and securities forecasting and collateral optimisation."

### Moving target

In a recent survey conducted by SimCorp and Asset Servicing Times, 60 percent of respondents admitted to not being fully ready for the BCBS-IOSCO regulation **(see figure 1)**.

Have you completed preparation for BCBS/IOSCO regulation?

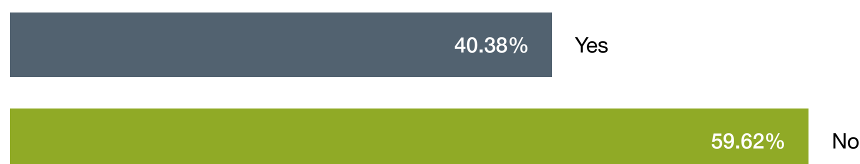



*figure 1*

## What is your largest margined exposure?

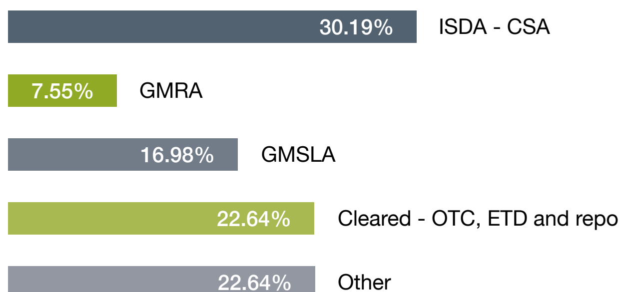



*figure 2*

Commenting on the data, Baker notes: "This is unsurprising and certainly mirrors what we have heard from clients and the market at large. Back in March, there was a problem with physically re-papering agreements. The new regulation required updated agreements, but that challenge, for our customers at least, has now been addressed."

"What we are finding is that firms may have been prepared for the initial implementation, but this regulation has been far from static, hence, readiness is often difficult to define."

"What is clear is that the inclusion of FX forwards and swaps into the regulatory scope will significantly increase operational workflows and again puts the spotlight on examining existing operating models."

According to Baker, there are many reasons respondents may be yet to finalise their preparation for the BCBS-IOSCO regulation. Firstly, there are multiple facets to an end-state target operating model, which by their nature will take time to implement. Technology in this respect is both an element and an enabler of change.

Secondly, firms need to be cautious to ensure the change they are making is a long-term solution and not just a short-term fix, to safeguard against internal and external risks.

Those firms taking a truly front-to-back approach will not just be addressing automation and consolidating workflows concerning collateral management, but essentially optimising the entire front-to-back value chain.

Finally, when looking at margin exposure, the International Swaps and Derivatives Association (ISDA) Credit Support Annex (CSA) is just one of multiple margin call processes undertaken which will need to be optimised by the buy side.

When asked which margin exposure was largest, the ISDA CSA won out for 30 percent of survey respondents, followed by cleared OTC, exchange-traded derivatives, and repo, at just over 22 percent **(see figure 2)**.

Unspecified margin exposure also claimed 22 percent of survey results, with global master securities lending agreements only being the largest exposure for just over 15 percent.

### Operating model impacts

Baker divides the impact of the BCBS-IOSCO margin rules on the target operating model into first-order effects and second-order effects.

First and foremost, as of January 2018, buy-side participants must know their processes and underlying technology are sufficiently upgraded to allow them to easily scale processes for agreeing and exchanging margin, either via cash or securities collateral, in an efficient manner.

Adoption of electronic communication that enables automation of the margin call workflow is one example of the way in which both industry and technology are combining to facilitate this drive.

After that, there are second-order effects, as collateral moves up the buy-side value chain. This encompasses business users such as:

- Cash and securities managers, who require the ability to forecast potential margin calls and collateral eligibility and ensure access to the appropriate liquidity and collateral, either sourced internally, bilaterally or on a cleared basis;

- Risk managers, who must scrutinise and stress market data, liquidity, counterparty and concentration risks into investment and collateral portfolios, including haircuts;

- Execution traders, who will require additional analytics as simplistic transaction cost analysis measures may no longer meet updated definitions of best execution; and

- Portfolio managers, who require updated pricing models and forecasts of lifetime trade cost to be incorporated into optimal investment strategies.

The survey also quizzed respondents on which aspects of their collateral management operating model they found most challenging, with decidedly mixed results.

The data revealed that internal processes created the biggest hurdles, with 26 percent of the vote, followed closely by technology with 24 percent **(see figure 3)**.

## What aspects of the target operating model does your firm find most challenging?

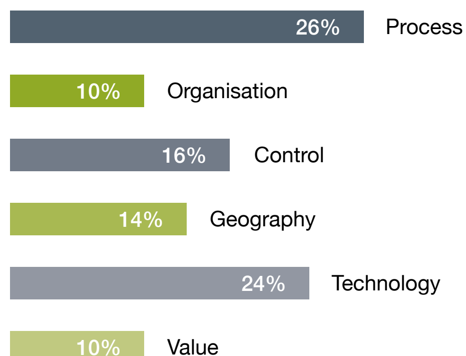



*figure 3*

Of the remaining responses, 16 percent opted for control, 14 percent chose geography, and value and organisation were selected by 10 percent apiece. According to Baker, the responses "reflect the multi-faceted nature of potential changes to desired target operating models".

### Near-term limitations

The issues of process and technology are inevitably intertwined, and an effective solution to the collateral puzzle requires an adept focus on both. The most effective technology solution will only be as effective as the processes in place to utilise it.

According to SimCorp, an effective collateral management system will adopt automation to alleviate pressure, while also bringing a full front-to-back workflow to process data and manage margins.

Some buy-side firms appear to be cognisant and proactive on this issue, however, there is a risk that a number are behind the curb, and hence in danger of hitting rough conditions as margin call volumes continue to rise in 2018 and beyond.

Of survey respondents, 41 percent described manual workflows and the lack of automation in margin call processing as their biggest pain point around collateral management **(see figure 4)**.

In fact, issues with automation were the most unifying issue of all surveyed areas of the industry, with the clearest majority in all areas.

Reassuringly, Baker says: "The overall process has evolved, and we are now dealing with some clients on a holistic front-through-back process. It represents a very different workflow for our buy-side clients than we were seeing even as recently as a year ago."

"From an operations standpoint, our system is looking to automate as much as possible, from optimisation calculations to communications between counterparties. However, for organisational reasons, some processes outside of our system, especially notification flow, stubbornly sit in the manual column."

### To buy or build

In financial markets around the world, the buying-versus-building technology debate has tipped slowly but surely in favour of vendor solutions. For many, it comes down to a question of cost and control. Market trends and regulatory requirements are increasingly demanding transparency and governance of investment data.

With many firms expressing concern over outsourcing of data, and only the largest entities able to build systems in-house, vendor-deployed solutions are looking increasingly attractive.

## What are your primary pain points around collateral management?

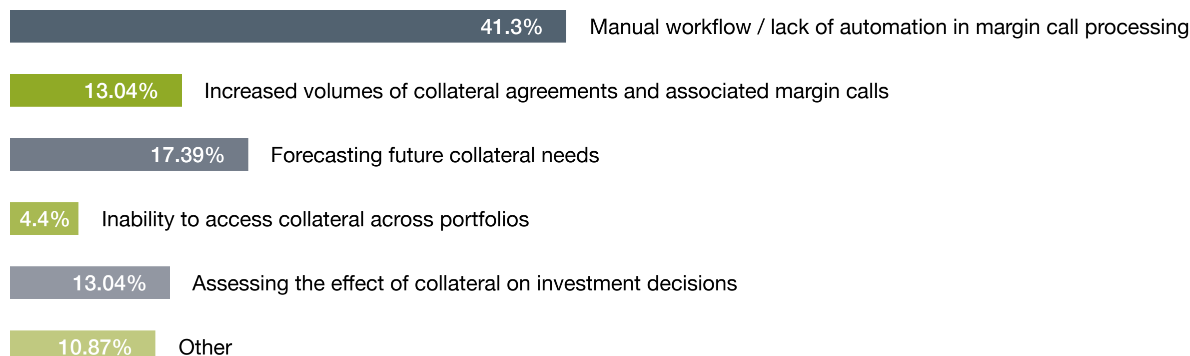



*figure 4*

# CEE starts in Vienna

**One entry to 18 markets**

## Your Gateway to Securities Services in:

Almaty / Belgrade / Bratislava / Bucharest / Budapest / Kiev / Ljubljana / Minsk / Moscow / Podgorica / Prague / Sarajevo / Skopje / Sofia / Tirana Vienna / Warsaw / Zagreb

www.rbinternational.com

Raiffeisen Bank International

> *Those firms taking a truly front-to-back approach will not just be addressing automation and consolidating workflows concerning collateral management, but essentially optimising the entire front-to-back value chain*

## What system / tools do you currently use to manage the collateral process?

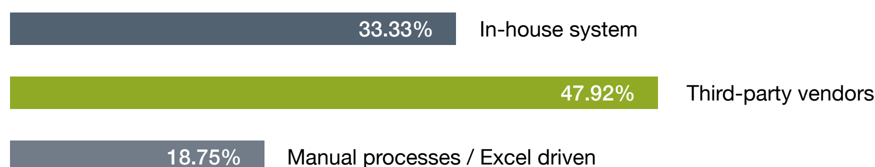



figure 5

As it stands, according to the survey, 48 percent of responmdents currently access a vendor stack solution, while 33 percent build internally and 19 percent have trundled along with Excel-driven manual processes **(see figure 5)**.

"Overall, we would expect third-party vendors to have the slight edge in the market split," says Baker. "Going forward, manual-only processes will be simply unsustainable. Outsourcing will also see a decline, as we continue to hear many firms express concern over lack of timeliness and control of data. I would also question whether in-house builds are truly scalable and cost-efficient in the long run, and whether they are able to maintain and upgrade the technology in the same way a vendor can."

Beyond the initial need to find a solution to new market challenges, savvy businesses will also have a view to maintaining a wider strategy to ensure seamless processing of transactions throughout their systems. The danger of utilising a patchwork of in-house and outsourced systems is the creation of a network that is unable to communicate effectively.

SimCorp argues that pulling all collateral management processes under a single umbrella is the only way to ensure an efficient workflow.

Baker concludes: "The results all point to the need for greater automation and, ultimately, consolidation that allows front and back offices to be unified, for the best way to counteract this issue and future regulations."

"By making this operational shift, firms are not only complying, but creating opportunities to optimise investment and collateral allocation decisions in one system for both pre and post-trade success." AST

## How do you calculate initial margin?

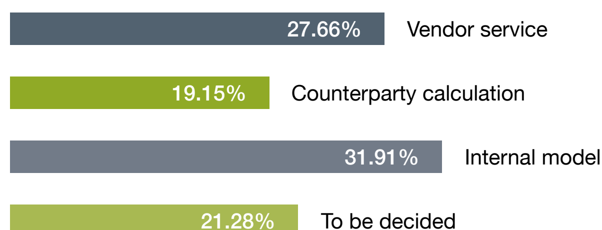



figure 6

Leverage our worldwide presence to increase your corporate success.

www.commerzbank.com/worldwide

The Euromoney Awards for Excellence honoured Commerzbank as Germany's Best Bank for its strategic approach that is creating a 'stable, efficient and more profitable lender' amidst challenging times for the German banking sector. Euromoney, 07/2017 issue

COMMERZBANK
The bank at your side

# Pilot blockchain achieves lift off

## Broadridge has finished its latest blockchain pilot, focusing on bilateral repo. Horacio Barakat outlines the progress made, and where the firm may go now

**Broadridge recently completed a DLT pilot for bilateral repo. Why did you choose this area?**

One of the reasons we tackled the repurchasing, or repo, agreement was Broadridge's position in the fixed-income markets—in the US, Broadridge has 18 of the 23 primary dealers in its system. Our position provided the necessary network for any blockchain of distributed ledger technology (DLT) solution to be adopted.

The point of the technology is to standardise processes in order to accelerate adoption, and this was one of the key parameters of selection for our test case. We are seeking the ability of a blockchain DLT to provide sufficient process efficiencies, but also to take advantage of the networks that Broadridge has, in order to drive adoption on repo.

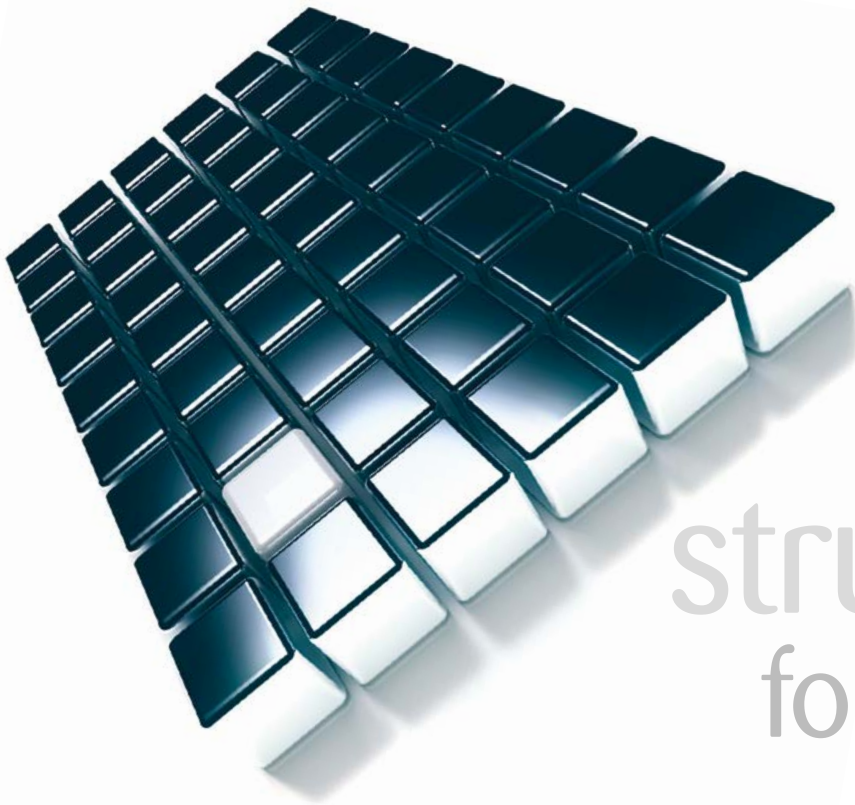
And we don't see it just stopping here. We hope for it to be the foundation that stretches into much broader functionalities in order to achieve a broad collateral management solution. This is part of a much longer road map.

Our thought process is to find specific pain points for specific areas of the market that could be significantly improved in the short term. But, by tackling the foundational aspects, the effects can be compounded to help us tackle much larger problems.

**What were the successful aspects of the pilot? And what were the main issues it highlighted?**

We worked closely with other collaborating banks to reimagine how we want non-cleared bilateral repo transactions to be. To do this, we recreated the entire process from beginning to end.

Firstly, we onboarded the participants' collateral into our blockchain environment, and once it was uploaded, we created the application for participants to be able to enter trades directly into the DLT so



structured for success

## Exceptional Growth for Malta's Fund Industry

This success was made possible by Malta's highly favourable business environment. This includes the role played by the island's Single Regulator, renowned throughout the industry for its flexibility coupled with meticulous attention to detail.

The island's highly competitive, cost-effective business environment and the presence of all the Big Four accounting firms adds even further advantage.

An onshore EU jurisdiction allowing passporting and redomiciliation of funds, with an efficient fiscal regime, a balmy Mediterranean climate and a multilingual, ethical and professional workforce, Malta offers a winning combination of advantages specifically designed to foster further growth and maximise success.

more information on:
www.financemalta.org

Find us on: FinanceMalta FinanceMalta@ FinanceMaltaYT FinanceMalta

FinanceMalta - Garrison Chapel, Castille Place, Valletta VLT1063 - Malta | info@financemalta.org | tel. +356 2122 4525 | fax. +356 2144 9212

FinanceMalta is the public-private initiative set up to promote Malta as an International Financial Centre.

it captures trade terms in their physical form. It will then allow us to perform lifecycle activities such as mark-to-market, repricing, re-rates and other modifications to the repo contract.

Other areas we tested were collateral substitution, cancellation of the repo, rejection of the repo and, finally, the return of the collateral.

All of these activities were conducted seamlessly using DLT, allowing the participant to interact directly. If one person changes the terms, the other party is instantly aware and can approve, reject or modify them without the need of an intermediary, making the process much more efficient.

Over the course of the heavy development, we have been working to the mantra ‘work and adjust’. During the hard testing of the technology, there were some points where you could see instability, and there are things that still need to be worked out and stabilised in the near term for it to be production ready.

Firms like Broadridge will achieve this. By testing all the different platforms, we will make it happen.

### In what other areas are you testing DLTs?

Everything we have done and are doing follows longer-term road maps. In the most recent case we piloted and tested the product for over a week and we continue to work on it as part of that roadmap.

In April, we did another operational test around global proxy voting, collaborating with J.P. Morgan, Santander and Northern Trust, shadowing an annual meeting from beginning to end.

It is something we have continued to focus on because we want to broaden participation in the market, but also to deepen the functionality in order to reimagine the global proxy processes.

Even though we announced it in April, it is continuing on its roadmap towards a much larger solution.

We have other test cases we are working on, but we tend not to announce them prior to testing.

### What can other institutions do to help progress blockchain technology?

One of the key factors for success for all blockchain solutions is the broadening of participants. Assuming that the benefits are useful, which we proved in our case, we need more people to participate, and this is something we are working hard to achieve.

We do this through broadening the network to work into this bilateral repo pilot and expanding functionality to move towards a more fully-functioning collateral management solution, which is going to be very exciting for a lot of institutions. We are excited to be collaborating towards that goal.

### Have you set a timeline for full functionality of the technology?

It’s very difficult to envisage a timeline, but we are already working on it. We have the road map and are currently working through our phases. We are done with phase one and we have already started on phase two. It is very difficult to time those, but we are working through it. Phase two is all about expanding the functionality of the movement of collateral in a blockchain environment. The further we progress with that functionality, the more it will provide benefits to the ecosystem.

### Is there still any skepticism from the big institutions surrounding DLT?

It depends on the use of the technology. In the test cases we have focused on, the technology has proved that it can provide operational efficiency and reduce counterparty risk. Obviously, the technology still needs to evolve—it is relatively infant, but it has made some significant progress over the last six months.

The way that the technology and platforms are evolving is strong, but there are things that need to be worked on. In terms of operational efficiencies that we tested, we were proven right, so we are very optimistic and bullish about the effects it will have in various areas of capital markets.

To stress the point for all the test cases, but primarily for bilateral repo, it is all about the roadmap. We are hoping to work towards a full collateral management solution, which would address an area that a lot of institutions see as a big pain point within the industry. AST

*We worked closely with other collaborating banks to reimagine how we want non-cleared bilateral repo transactions to be. To do this, we recreated the entire process from beginning to end*

**Horacio Barakat**, vice president in corporate strategy, Broadridge

This advertisement has been approved for issue by Pictet Asset Management Limited, authorised and regulated by the Financial Conduct Authority.
**The value of an investment can go down as well as up and investors may not get back the full amount invested.**

# Our asset services are first rate and second to none. Perfect for third party funds.

Asset Management
Wealth Management
Asset Services

Geneva Lausanne Zurich Basel Luxembourg London
Amsterdam Brussels Paris Frankfurt Munich Madrid
Barcelona Turin Milan Verona Rome Tel Aviv Dubai
Nassau Montreal Hong Kong Singapore Taipei Osaka Tokyo
assetservices.pictet

# The price is right

## The UK's pensions industry is facing challenges from all angles, but KAS Bank's cost transparency dashboard is here to lend a helping hand, says Pat Sharman

*Theo Andrew reports*

**What led up to the creation of KAS Bank's cost transparency tool for pension funds?**

We do a lot of work with institutional clients in the Netherlands, the UK and Germany, but in the latter two markets we have become something of a specialist, in that our growth strategy is focused on servicing pension funds. We haven't always built our strategy solely on pension funds—since moving into the UK in the 1980s, we have focused on various sectors.

KAS Bank is more of a deli than a supermarket, offering select, specialist securities services. Client services is another area we have excelled in, focusing on clients' needs and challenges, of which the data transparency tool is a good example.

Our overall strategic vision is to become the UK governance partner of choice for pension funds, and we believe that with our deep understanding of the challenges faced by the industry we can achieve this ambition. There are a lot of good initiatives going on at the moment. For example, The Pensions Regulator has implemented several new codes of conduct to improve the structure of the industry and also issued a paper last year looking at what it means to be a trustee in the 21st century. We have identified that there is an issue around data and information. You can't expect to take good decisions based on bad data, and trustees often struggle to get accurate, fast and transparent data around investments. One of the reasons this problem has emerged is that investments have become increasingly complex and much harder to administer. Service providers are stuck with cumbersome technology, so they struggle to deliver the data in a fast and accurate manner.

This means trustees and pension funds are getting increasingly frustrated. The way to solve the problem is through technology, but we need to look outside the box, delve into the fintech world and look at the technologies available to us. In order to do this, we are creating a team with specialism in this area. Currently, we are discovering the main pinch points we need to focus on and the technologies that are available to us. It's an ongoing project and there will be things that work and things that don't, but the goal is to make things easier for our clients.

**What are the major challenges here?**

The door is open in terms of the technology we are going to use. If the problem around data was easy to solve it would have been done by now, but nobody has worked this out yet. We have discussed it with various fintech companies and even they are not quite sure exactly how to resolve this, but we are confident there is definitely a solution out there.

The pensions industry is very behind the curve on this topic, and so, perhaps, is the whole financial sector. As consumers, we are used to the likes of Uber and Amazon, but the financial sector is still not at that stage. The challenge is in bringing all the various stakeholders together, and KAS Bank certainly intends to do this. We have a strong tradition and a strong client base.

We service about 35 percent of the pension fund market in the Netherlands, and we have been utilising our experience there for the benefit of UK clients; now we just need to bring the right technology to them.

Our innovation journey begins with data transparency and our cost transparency dashboard is a first step towards meeting the governance challenges we have identified in the industry. We will build our team and delve into other technological areas to deliver further innovation.

### Why is data transparency such big issue in the industry?

There is a growing call for transparency across UK financial services, in particular. The Financial Conduct Authority (FCA) has created a disclosure group with the aim of building a template to collect cost data from investment managers, and I'm sure they will have further ambitions as this develops over the next few months. We will be watching them closely.

In the Dutch market, several initiatives were put in place just after the global financial crisis of 2007 and 2008, which found a lot of flaws in the pension system. One of the biggest initiatives has been the consolidation of 800 pension schemes into 218. They also looked at governance and data issues. They wanted to fully understand what was going on in the schemes, and they wanted to implement reporting for various data points. The Dutch also started focusing on costs. In 2011, it became a recommended practice that funds must collect investment and pension management costs and report back to their regulators; this was made a legal obligation in 2015.

UK regulators and scheme representatives are demanding increased disclosure of costs, so we took the Dutch template and tweaked it slightly to suit the UK industry for the collection and validation of the cost data. We believe that, whatever the FCA announces as a standard template for asset managers, it is likely to be similar to the template we already have in place. In addition, we looked at the template for the Local Government Pension Schemes (LGPS) transparency code and compared it to ours to confirm it is very similar. We have also built an innovative dashboard and an app to present the data back to trustees and pension funds, in order to help them make more informed decisions. We have a lot of other exciting ideas focused on helping trustees as much as possible. That is our sole goal as a governance partner.

### How do you think this tool is going to help?

Our Pension Monitor dashboard shows all the products and services we provide (for example ESG, performance, risk, funding levels), and lays out and interprets all the investment data related to a pension fund.

The Cost Transparency app simplifies the costs related to defined benefit (DB) pension schemes and provides a simple doughnut graph, which is split into pension management costs and investment management costs. Additionally, there are tailored views, tables and scatter-plot graphs with trending cost curves. The tool allows clients to compare their pension schemes with the whole universe of pension schemes in that particular market. The Dutch have to report their cost transparency per member to the local regulator, which this tool also does for our UK schemes. It gives a total overview of what costs are associated with running the pension scheme.

There is a lot of discussion in the industry about whether or not we should report costs to members or not, and in defined contribution I think we absolutely should, because the risk is on the members. However, on DB there is a debate about whether the member needs to know. Either way, we are very supportive of the push for greater transparency.

### What has the market reaction been to the tool?

We have completed a successful proof of concept for the tool with three pension funds in the UK, and are very excited to add additional schemes so clients can start benchmarking costs across the industry. We've kept it as simple as possible and this has really helped when we have been presenting it to trustee boards. We have had positive feedback on the simplicity and the fact that trustees have probably not seen a lot of this data before. There are a lot of previously unreported costs displayed in the app.

It is intended to help clients get straight to the point by helping them to visualise the story—it's much easier to understand than looking at a spreadsheet.

The industry has been very focused on transaction costs, because they have not really been reported before. This will take some careful management, because if you start reporting costs that weren't previously reported, it can look like your costs have suddenly increased, when they haven't. It's very important for schemes to understand that we aren't saying all costs are bad. We have won our first client and we have had a lot of growing interest, but pension funds aren't known for moving particularly fast. We have also had many suggestions on how we can improve the tool further, such as adding risk data and benchmark performance.

### Has there been any kickback?

There has been a little bit of negativity in the press in the past—although not directly involving KAS Bank or its clients—however, it typically stems from poor management of the message and the actual benefits to the industry that improved transparency delivers. Carrying out a review of costs will typically cause an element of discomfort for schemes and makes trustees cautious. At the end of the day, we are doing something that has not been done before in the UK, but if we look at the positive aspect, it simply allows for better governance by enabling more informed decisions. For example, when you look at the management costs for a specific asset manager in isolation, they can look cheap. But, when you add in transaction costs they start to look a bit more expensive. It's an element of market practice. It's not like managers are trying to hide anything, it's just information that didn't have to be reported previously. The world has changed massively—investments are much more complex than they were 20 years ago, and I think that's why people are demanding more transparency. We do always advise that schemes must not look at costs in isolation, and elements such as strategy and risk must also be taken into consideration.

The need for accurate, transparent and timely data on investments is not an obvious problem, and I don't think anyone has really looked into it fully yet. It's not an easy thing to resolve, but I believe there is always a solution to be found, which will make a clear difference. AST

# Pick up your copy of Asset Servicing Times

**ALFI TA & Distribution Forum**

**Luxembourg**

November

30

events.alfi.lu

**Global Custody Forum**

**UK**

December

06-07

finance.knect365.com/global-custody-forum

**ITAS**

**Luxembourg**

February-March

27-01

finance.knect365.com/itas

**6th Edition Nordic Asset Allocation: Investing in Alternative Asset Classes**

Luxembourg

March

07-09

marcusevans-conferences-paneuropean.com

Actuare
Connecting business. Efficiently.

# *Straightforward messaging solutions for distributors and transfer agents alike*

Actuare's out-of-the-box messaging and integration solutions have been giving market participants the freedom to connect in ways that suit them since 1997.

Our products and services are secure and reliable. They're also highly scalable and flexible whether you're dealing in boutique alternatives or running a critical funds infrastructure:

- Pricing
- Subscriptions, redemptions and switches
- Netting
- Settlement
- Transfers and conversions
- Statements and reconciliation

Plain-dealing and simplicity are core to offering you interoperability without restrictions.

Or to put it another way: ***Connecting business. Efficiently.***

actuare.com
info@actuare.com
+44 (0)1582 468 000

don | Dublin | Hong Kong | Singapore | Tokoyo | Lux

# The latest industry vacancies

## For more positions, visit www.assetservicingtimes.com/recruitment

### Senior systems engineer

Selby Jennings

#### Washington DC

This multi-billion dollar hedge fund specialises in research and technology trading, and is based just outside the Washington DC area in Chevy Chase. It is actively growing its infrastructure team and is looking for a senior Windows systems engineer

### Senior vice president for regulatory compliance

Selby Jennings

#### Singapore

A leading global European bank is seeking a high-calibre candidate to join its regulatory compliance team as senior vice president/vice president. This role sits in a newly established team and the successful candidate will report to the head of regulatory affairs and conduct compliance

### Java developer

Alexander Ash

#### London

A leading global tier-one investment bank has recently injected a large amount of investment into its repo team in order to continue its current projects while also working on new and future projects. It is currently looking for a Java developer to work within a team of six

### Senior investment risk manager

Bruin

#### London

A leading Investment Manager is looking for a senior risk manager with extensive fixed income knowledge to join its global bond team. The candidate will monitor risk levels and exposures across global bond portfolios and share insights on overall risk with the investment team

intellect™
Design for Digital

**Over 98%**
throughput rate across asset classes

**Administer/ Service**
a wide range of Corporate Actions

**Multi** -Asset, Multi-Currency, Multi-Lingual Solution

**Market Leader**
in India with significant traction in International Markets

**Supports**
SWIFT 15022 messaging standards

Intellect OneMARKETS offers a robust, scalable and comprehensive 360-degree digital platform that supports straight-through processing, direct market access, and high speed execution across a variety of asset classes and market segments with seamless interfaces to local and international market infrastructure providers like exchanges, central counter-parties, custodians, and central securities depositories. It minimizes pre and post trade operational risk by digitizing asset servicing functions across front, mid and back offices

**Analyze**
statistical data related to settlement & corporate action transactions

Intellect OneMARKETS is designed to seamlessly fit into your technology landscape. It has ready connectivity with:

- 15 Exchanges
- 14 Depositories
- 06 Leading Core Banking Systems
- 02 ICSDs

A Securities Trading & Asset Servicing Platform

High Throughput Solution for Custodial Clients

Contact: +91 96194 22762 | preeti.mishra@intellectdesign.com

## Comings and goings at State Street, the Federal Reserve and the SEC

**Jay Hooley is to retire as CEO of State Street by the end of 2018.**

Hooley became CEO in 2010 and is credited with helping the bank expand globally, and establishing the firm as a leader in digitisation.

Mike Rogers, president and COO of State Street, is also set to retire at the end of 2017.

State Street's board of directors has appointed Ron O'Hanley to succeed both Hooley and Rogers.

Hanley was previously vice chairman of State Street and president and CEO of State Street global advisors.

O'Hanley has more than 30 years of experience leading asset management firms and serving both asset owners and asset managers.

Prior to joining State Street in 2015, O'Hanley was president of asset management and corporate services for Fidelity Investments.

Before this, he spent 13 years in various leadership positions at BNY Mellon, including as vice chairman of BNY Mellon's financial corporation and CEO of the asset management business.

Hooley said: "Our most significant differentiator at State Street will always be our people, and my greatest source of pride over the past eight years has been to lead this talented 36,000-strong team."

He added: "I am very confident that Ron O'Hanley has the right qualities, expertise and vision to lead the next phase of State Street's growth. I know that his perspectives and background will serve us very well as we seek to strengthen client engagement across the organisation and create a more seamless experience for our clients."

O'Hanley commented: "I am excited to lead State Street at a time of profound change across the industry and for our clients. I am enthused about this opportunity and very confident in our ability to succeed."

Cyrus Taraporevala will take over from O'Hanley as president and CEO of State Street global advisors, and will join State Street's management committee.

Andrew Erickson, who is currently head of State Street's global services business for the Americas, will now lead a newly-formed global services business worldwide.

Jeff Conway, currently CEO of State Street in Europe, the Middle East and Africa (EMEA), will assume a new role leading State Street's global operations, infrastructure and business transformation.

According to State Street, O'Hanley, Taraporevala and Rogers will work together over the next two months to allow for a smooth transition of responsibilities.

**Andrea Perry has been appointed to the board of directors of the Association of Canadian Pension Management (ACPM).**

Perry is one of 13 members of the ACPM board of directors and represents the Atlantic region, including New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador.

She will be a member of the board for a three-year term, alongside her current role as senior client relationship manager for the Atlantic region at Northern Trust.

Perry has more than 30 years of experience in the investment industry. She joined Northern Trust earlier in 2017, based in Halifax, and is also a member and past president of the Chartered Financial Analyst Society Atlantic Canada.

Michel Jalbert, chair of the ACPM board of directors, said: “We are pleased to welcome Andrea Perry to our board, which represents the ACPM membership and helps to guide the development of policies in support of an effective and sustainable Canadian retirement income system.”

He added: “Andrea Perry’s experience and extensive relationships in Canada’s retirement industry will be a tremendous asset as we enlist the talent and resources of our national volunteer member base to advocate on behalf of Canadian plan sponsors, administrators and their service providers.”

**State Street Global Advisors (SSGA) has named Ana Concejero as its new country head of Standard & Poors depositary receipt (SPDR) exchange-traded funds (ETFs) for Spain.**

Based in London, Concejero will be responsible for developing the ETF business in Spain, developing solutions for asset managers, owners and intermediaries. She will report to Rory Tobin, global co-head of SPDR ETFs at SSGA.

Concejero has previously held senior positions at BlackRock and Deutsche Börse, working in London, San Francisco and Frankfurt.

Tobin commented: “The characteristics of ETFs appeal to Spanish investors looking for transparent and diversified strategies in a liquid and cost-effective wrapper.”

He added: “Ana Concejero has a significant track record of working with clients to understand their requirements and delivering solutions to meet their aspirations. Her experience will be invaluable in growing our footprint in Spain.”

Concejero said: “The SPDR ETF product mix offers a comprehensive toolbox of investment solutions for Spanish investors transitioning from a savings mindset to more of an investing one.

With a strong heritage in sector and smart beta investing, we are well positioned to capture flow from institutional and wealth managers who want to incorporate highly targeted exposures in their portfolios.”

She added: “Equally, as central banks look to gradually unwind their bond market positions, clients are increasingly looking to investment managers for fixed income ETF solutions based on diversified and representative benchmarks.”

**US President Donald Trump has nominated Jerome Powell to become the next chair of the Federal Reserve.**

Powell will replace current chair Janet Yellen, who took office in February 2014 on a four-year term, ending in February 2018.

Powell joined the Federal Reserve’s board of governors in 2012 and was reappointed in 2014 on a 14-year term.

He is considered to be a centrist and pragmatist, according to colleagues.

The Senate will now vote to ratify President Trump’s choice, before Powell can take office.

Prior to joining the Fed, Powell served as an assistant secretary and as undersecretary in the Treasury under President George Bush, responsible for policy on financial institutions and the Treasury debt market.

A trained lawyer, Powell partnered at The Carlyle Group from 1997 to 2005.

Before joining the Bush Administration, he worked as a lawyer and investment banker in New York.

Commenting on the appointment, Kenneth Bentsen, president and CEO of The Securities Industry and Financial Markets Authority (SIFMA), said: “Governor Powell’s tenure and experience at the Federal Reserve, Treasury, and in the industry should give markets and investors great confidence that he will provide a steady hand in guiding this critical function.”

Yellen, who welcomed the appointment of Powell, will become the first chair in 40 years not to be selected for a second term, despite falling unemployment and stable inflation rates during her tenure.

In a statement, Powell said: “In the years since the global financial crisis ended, our economy has made substantial progress toward full recovery.

By many measures we are close to full employment, and inflation has gradually moved up toward our target.”

Powell added: “Our financial system is without doubt far stronger and more resilient than it was before the crisis.”

“Our banks have much higher capital and liquidity, are more aware of the risks they run, and are better able to manage those risks.”

“While post-crisis improvements in regulation and supervision have helped us to achieve these gains, I will continue to work with my colleagues to ensure that the Federal Reserve remains vigilant and prepared to respond to changes in markets and evolving risks.”

asset servicing times

www.assetservicingtimes.com

Twitter: @ASTimes_

Acting Editor
Stephanie Palmer-Derrien
stephaniepalmer@blackknightmedialtd.com
+44 (0)203 750 6019

Deputy Editor
Becky Butcher
beckybutcher@blackknightmedialtd.com
+44 (0)203 750 6018

Reporter
Theo Andrew
theoandrew@blackknightmedialtd.com
+44 (0)203 750 6019

Editorial Assistant
Jenna Lomax
jennalomax@blackknightmedialtd.com
+44 (0)203 750 6018

Contributors
Drew Nicol and Barney Dixon

Designer
James Hickman
jameshickman@blackknightmedialtd.com
+44 (0)203 750 6021

Associate Publisher
Joe Farrell
joefarrell@assetservicingtimes.com
+44 (0)203 750 6027

Publisher
Justin Lawson
justinlawson@assetservicingtimes.com
+44 (0)203 750 6028

Published by Black Knight Media Ltd
Copyright © 2017
All rights reserved

**State Street has appointed Michelle Grundmann as head of global services for Continental and Southern Europe, effective from February 2018.**

Based in Frankfurt, Grundmann will report to Stefan Gmür, CEO and speaker of the board for State Street in Munich. Grundmann will also report to Liz Nolan, co-head of global services for EMEA.

Grundmann has more than 30 years of experience in the European market for global services.

Prior to joining State Street, she was at J.P. Morgan, where she was head of investor services for Germany, Austria and Switzerland. Before this, she held positions at BNY Mellon and Merrill Lynch.

Gmür said: "Europe remains critical to our global growth strategy and we maintain a leadership position in asset servicing in many of the continental European markets, with a proven track record and expertise in depositary services and back-office insourcing in particular."

"We are delighted to welcome Michelle Grundmann to our team. [Her] wealth of experience across multiple segments of the financial industry will further strengthen our offering."

**The US Securities and Exchange Commission (SEC) has promoted Peter Driscoll to director of the office of compliance inspections and examinations (OCIE).**

Driscoll has been acting director since January 2017. He joined the commission as a staff attorney in the division of enforcement in 2001. Prior to his current position, Driscoll was named the OCIE's first chief risk and strategy officer in March 2016. For three years before this, he was a managing executive in the branch.

The OCIE runs the SEC's national examination programme, which conducts exams for SEC-registered investment advisors, investment companies, broker-dealers and transfer agents, among others, helping to promote compliance with the US securities laws.

Jay Clayton, chairman of the SEC, said: "Peter Driscoll has been an exceptional leader of the national examination programme since taking over as acting director of OCIE, including advancing the use of technology to make the programme more effective."

He added: "With over 15 years of experience at the SEC as an attorney, examiner, and manager, I am confident that Peter Driscoll and OCIE's dedicated staff will continue to advance the interests of investors across the country."

Driscoll commented: "I am grateful for the opportunity to lead OCIE, and to continue to work with chairman Jay Clayton, the commissioners, and our colleagues across the agency to protect investors and ensure market integrity. It is my privilege to work alongside our talented and dedicated examiners who serve as the eyes and ears of the commission." AST