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The clock is ticking

# Building the brand
Hannah C Jaeger discusses SANNE's US expansion


## GoldenSource integrates Trax reporting services

GoldenSource has integrated approved reporting mechanism and approved publication arrangement services from Trax to help banks and asset managers with the second Markets in Financial Institutions Directive (MiFID II) reporting obligations.

Trax, the post-trade services and European market data division of MarketAxess, was integrated during Q3 and Q4 of 2017, ahead of the MiFID II implementation date in January.

Firms that use GoldenSource will now have the option for data to be automatically submitted to the Trax approved reporting mechanism or the approved publication arrangement.

The solution is also scalable to serve as the operational basis for the requirements of other regulations such as the Securities Financing Transactions Regulation (SFTR).

SFTR, which is due to go live next year, is the latest big data collection exercise for the market, as intricate details behind a repo or margin loans now need to be captured and reported to an EU trade repository.

Volker Lainer, vice president of product management at GoldenSource said: "What we are offering is a single way for market participants to meet their MiFID II reporting requirements in an efficient and consistent manner. While the European Securities Markets Authority is expected to show a degree of leniency to those who scrambled to be ready for the January deadline, firms should be using this time to ensure their MiFID II capabilities are fully up to speed. Our platform can help smooth this process with a standardised approach which is also prepared for other regulations, such as SFTR."

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## Deutsche Börse and HQLAX partner

Deutsche Börse and HQLAX have partnered for the creation of a securities lending solution using the R3 Corda blockchain platform.

The partnership between Deutsche Börse and HQLAX is expected to foster market adoption by enabling connectivity with HQLAX, for both trade execution and post-trade processing.

Using Corda's blockchain technology, Deutsche Börse and HQLAX aim to build a fully integrated front to back operating model to facilitate more efficient collateral management of liquid assets.

According to HQLAX, these assets are in heightened demand due to the implementation of bank regulations for liquidity, mandatory clearing and margin requirements for over-the-counter (OTC) derivatives.

The trading layer will be delivered exclusively by Deutsche Börse's Eurex Repo platform, which will enable market participants to leverage existing connectivity to the Eurex repo service.

Deutsche Börse Group will also play a lead role in the custody agnostic, post-trade processing layer, which is designed to interoperate with multiple collateral agents and custodians.

HQLAX aims to help market participants redistribute collateral liquidity more efficiently, by improving interoperability for pools of securities residing in multiple, disparate settlement systems and locations.

In the HQLAX operating model, legal title transfer of baskets of securities will be achieved by the transfer of ownership of HQLAX digital collateral records (DCRs) while the underlying securities remain static within DCR-linked custody accounts.

The use of DCRs to effect transfers of securities will, according to Deutsche Börse, enhance regulatory transparency, mitigate systemic risk, reduce operational risk, and help financial institutions mobilise collateral and manage capital more efficiently.

Guido Stroemer, CEO of HQLAX, said: "Our goal is to mobilise liquidity across pools of collateral currently residing in disparate custody accounts around the globe."

He added: "Partnering with Deutsche Börse enables us to maximise the network effect that will drive widespread adoption of the HQLAX platform. We look forward to further collaboration with the broader community of collateral agents and custodians."

David Rutter, CEO of R3, commented: "Partnering with a market leader like Deutsche Börse is a major milestone for HQLAX, and Corda is the perfect choice of platform. It was built from the ground up to enable businesses in complex and often highly regulated markets to overcome real-world challenges like this those associated with securities lending."

Philippe Seyll, executive manager at Deutsche Börse, said: "With the creation of a neutral custody agnostic control layer, Deutsche Börse is embracing distributed ledger technology and complements it with a neutral and trusted market infrastructure role open to multiple custodians and collateral agents."

He added: "This way Deutsche Börse supports market participants to deal with the global regulatory framework whilst reaping the benefits of the leading edge distributed ledger technology."

## SimbaPay launches AI

SimbaPay, a London-based digital money transfer provider, has launched an artificial intelligence (AI) powered chatbot service, which now makes international money transfer possible using a short message service (SMS).

Together with Interswitch, SimbaPay's business to business division offers this remittance technology to banks who want to provide its customers with a modern digital remittance service. With the recipient's phone number, SimbaPay and the chatbot will automatically obtain the recipient bank account or mobile money details.

According to SimbaPay, recipients of money transfers from SimbaPay now also have the flexibility of choosing how their cash is delivered.

The SimbaPay chatbot is accessible through free of charge SMS and the chatbot provides the scalability to handle thousands of customer enquiries per hour.

The SimbaPay chatbot service is accessible on SimbaPay's social media channels including Facebook and will also enable 24/7 instant customer service for its customers across Africa and Europe.

Daniel Howard, CTO for SimbaPay, said: "We're thrilled at the prospect of the chatbot service resolving most customer enquiries instantly at any time of day or night."

He added: "Another major objective we achieved with the chatbot service is that it also works without internet. This means customers with a mobile phone, even a basic phone without internet access, can access the SimbaPay chatbot using SMS."

Speaking on the Interswitch partnership with SimbaPay, Paul Mwaura Ndichu, CEO Interswitch East Africa, commented: "Interswitch is proud to be associated with a company as innovative as SimbaPay which is continually looking to improve and expand its product offering."

He added: "We will continue to collaborate in the development of products and services that contribute to the expansion of the financial technology space."

## FCA announces changes to advice on pension transfers

The Financial Conduct Authority (FCA) has published new rules on pension transfer advice and is seeking views on additional changes, including adviser charging structures.

The FCA stated the new rules and areas for discussion aim to improve the quality of pension transfer advice to help consumers make informed decisions for their individual circumstances. In June 2017, the FCA proposed changes to the rules on advice on transfers from safeguarded benefit schemes, mainly for transfers from defined benefit to defined contribution pension schemes.

Following consultation, the FCA has published final rules to ensure transfer advice considers relevant factors.

The new rules include requiring transfer advice to be provided as a personal recommendation that takes account of a consumer's individual circumstances.

They also replace the current transfer value analysis with a requirement to undertake a personalised analysis of the consumer's options and a comparison to show the value of the benefits being given up.

The FCA has also published a consultation paper proposing further changes to its rules and guidance.

This includes requiring advisers undertaking pension transfer advice to have the same qualifications as investment advisers and whether it should intervene in relation to charging structures.

The FCA has decided to maintain its position at this stage that an adviser should start from the assumption that a defined benefit pension transfer will be unsuitable. The authority explained that this is to reflect the high proportion of unsuitable advice seen in supervisory work and need for further consideration of how transfer advice should be paid for.

Christopher Woolard, FCA executive director of strategy and competition, said: "Defined benefit pensions are valuable so most people will be best advised to keep them. However, where people are considering a transfer, it is vital that they get good advice to enable them to make an informed decision.

He added: "We are also looking at whether further changes are needed to improve the quality of advice in this area. In particular, we recognise that there is an inherent conflict of interest when advisers use a contingent charging model so we are asking for views on whether we should ban contingent fees for pension transfer advice. Defined benefit pension transfer advice continues to be a key area of focus for the FCA."

## Shield FC updates data management and compliance reporting services

Shield Financial Compliance (Shield FC), a regulation technology provider, has revealed its new version of its data management platform and compliance reporting suite.

The new platform aims to meet the data governance and best execution requirements of financial firms.

The second Markets in Financial Instruments Directive (MiFID II), General Data Protection Regulation (GDPR), Market Abuse Regulation, Dodd-Frank and Financial Industry Regulatory Authority all require financial institutions to capture, protect and archive every single interaction for a prescribed period (five to seven years). In the event of an investigation, firms need to perform trade reconstruction of a complete omni-channel communication chain in a timely manner (three to five days).

Building on the existing platform, Shield V2.0, has been developed to specifically meet such requirements. The platform aggregates and analyses more data sources and delivers a new interrogation engine to meet the specific needs of the compliance team.

Shiran Weitzman, co-founder and CEO of ShieldFC, commented: "We believe that firms need to take a strategic approach in dealing with record-keeping and best execution regulation in a holistic way; one platform that helps them to handle the explosion in eComms as well as streamline and automate compliance processes. Shield V2.0 delivers just that."

"It goes well beyond the current box-ticking most firms employ when archiving eComms data in discrete silos, which presents a huge problem when trading events need to be reconstructed."

## Polunin selects Citi for custody and fund administration services

Citi has been selected by investment manager Polunin Capital Partners to provide global custody, fund administration and depositary services for its Luxembourg-domiciled Polunin Funds.

Polunin Funds comprise of developing countries and emerging markets small cap UCITS sub-funds. This new mandate builds on the existing relationship between Citi and Polunin through, which Citi also provides global custody for its US-domiciled funds.

Jervis Smith, Citi's head of investor services in Luxembourg, said: "We are pleased to expand our services to Polunin."

Smith has been with Citi since 1994, and was previously head of the securities services business in the Asia Pacific region before he was appointed head of investor services for Luxembourg.

He added: "This further appointment is an endorsement of our global custody and fund administration platform and highlights the strength of our franchise in Luxembourg."

"We look forward to leveraging our extensive custody and clearing network to help Polunin grow their investment company with variable capital business and provide them with a consistent experience across multiple jurisdictions."

## Cyber breaches cause 'very real impact' on the value of a corporate holding

Cordium has questioned how knowledgeable equity firms are about the cyber risks within companies in their portfolios.

According to Cordium, cyber breaches and data security violations, can have a very real impact on the value of a corporate holding.

Cordium used the search engine Yahoo as an example, as the search engine was forced to reduce the sales price of its email and digital services to Verizon Communications as a result of two large cyber breaches in 2013 and 2014.

Cordium said: "Since the breach, dozens of lawsuits have been filed, and Yahoo is under investigation by regulators. The company recently announced that up to three billion people could have had their personal information compromised. Cyber risk—and organisations' exposure to it—is increasing."

Cordium stated that to protect revenue and preserve the value of their investment portfolio, "it makes sense for private equity firms to ensure that the companies they have stakes in are not only compliant with industry rules, but are also applying good practices to properly manage the cyber risks and data protection threats they face".

The business consultant said the US federal government has a large cybersecurity programme that "will, very quickly, translate into new rules and practices across industries", while the General Data Protection Regulation (GDPR), which comes into force in May 2018, has "extraterritorial impacts for firms that engage with EU-based clients".

It said the EU is also starting a range of cyber risk initiatives that will also translate into new rules.

Cordium concluded: "Private equity firms need to ensure they have the capabilities to fully assess and manage cyber risks within their portfolio companies—to be able to do this could make the difference between a successful investment and one which suffers in value because of reputational risk, legal risk, and regulatory sanctions."

## Switzerland's SIX targets lower cost, risk and complexity

Swiss financial infrastructure provider SIX is introducing a new pricing structure, effective from 1 July this year.

This forms part of its attempts to help clients to reduce their operational complexity, risks and costs.

SIX explained that the driver is that in November 2017, in order to better service client needs, its board of directors passed a resolution approving a realignment with the aim of creating a leading European provider for infrastructure services.

A spokesperson for SIX said: "The transformation of our company means the transformation from a largely transaction-based approach to an even more service-oriented approach."

"Therefore, we work closely together with our clients to develop value-creating services—such as our new advanced services—that help our clients reducing their operational complexity, risks and costs. This allows them to fully concentrate on their core business activities and strengths. As a financial market infrastructure, our aim is to establish a clear and transparent pricing structure for all our clients and to ensure that efficiency gains are reflected appropriately."

## FinComEco and BLCC partner with Wala and Dala

FinComEco Limited (FinComEco), and Block Commodities Limited (BLCC), a commodity trader operating in Africa, previously known as African Potash, have partnered with Wala, a blockchain-powered financial services platform, and Dala, a cryptocurrency token issuer.

The partnership will support the operation and further development of blockchain-enabled financial platforms for developing markets. The agreement comes after the BLCC's joint venture with FinComEco, a subsidiary of GMEX Group Limited, announced last November.

Block Commodities, FinComEco, Wala and Dala, will be working together to develop and operate a web-enabled platform using the blockchain ledger for its agricultural commodity trading initiative in sub-Saharan Africa.

Hirander Misra, chairman of GMEX Group and CEO of FinComEco, commented: "This partnership will drive financial inclusion across Sub-Saharan African countries. [...] Easier access to markets through the FinComEco commodity exchanges will ensure better price transparency enabled by Blockchain technology therefore increasing individual incomes and national GDP."

Chris Cleverly, Block Commodities executive chairman, said: "This collaboration represents a potentially significant reset for finance and commodities market development in Africa, a problem that is being addressed by bold and innovative technologies and partnerships."

Tricia Martinez, Wala founder and CEO and Dala director, added: "This is an industry changing partnership that will drive much needed economic growth and financial inclusion in African markets. Blockchain technology and cryptocurrency have the potential to start financial innovation in these markets and Dala is at the forefront."

## Datameer partners with IBM on machine learning platform

Datameer has teamed up with IBM to create and manage business data pipelines for IBM's new data science and machine learning platform, Cloud Private for Data.

The partnership aims to simplify and streamline data integration, preparing, shaping and curation in order to extend data science and machine learning for business teams to use.

Datameer will be an integrated part of the solution, offering a customer and user experience that allows business users to create data pipelines that feed the platform and overcome the delays associated with data integration and extract, transform and load solutions.

Raj Rajesh, Datameer vice president of business development, said: "Enterprises require a comprehensive information architecture for collecting, managing and analysing data as artificial intelligence drives business transformation to make better, faster decisions and Datameer has proven capabilities to address these market needs."

"Together, IBM and Datameer enable companies to build and implement operationalised data pipelines and embrace artificial intelligence and machine learning to dramatically reduce time to insights and power innovation, creativity and efficiency."

## CoInvestor Connect expands scope with private equity funds

CoInvestor has added private equity funds to its platform CoInvestor Connect.

CoInvestor Connect, which was created in 2016, controls the management of alternative assets by digitising asset classes. The addition of private equity funds to CoInvestor's range of investment products is a response to increasing investor demand for portfolio diversification.

Altitude Partners, a regionally focused fund supporting entrepreneurial companies in the south of the UK, is one of the private equity funds to have recently selected the CoInvestor platform to support their expansion.

Sam Plumptre, chief executive of CoInvestor, said: "The addition of private equity funds to the platform supports our intention to provide investors with simple digital access to high quality tax-efficient, yield and capital growth products."

He added: "Altitude Partners, in particular, are perfectly aligned with this profile and will widen the choice for investors in search of better returns."

Simon White of Altitude Partners, commented: "Our unique offering for investors seeking direct involvement in growth orientated small companies, combines the benefits of private equity ownership with business relief and investor relief."

He added: "By working with CoInvestor we will be able to offer investors an enhanced application and reporting process."

## Global spend on financial market data and analysis tops $28 billion

Spending on financial market data, analysis and news in 2017, was its highest since 2011, according to a new report published today by Burton-Taylor International Consulting, part of TP ICAP's data and analytics division.

The report found that global spend was up 3.57 percent, to reach $28.4 billion, topping the 28 billion mark for the first time. In terms of constant currency, the 2017 growth was 3.27 percent, as foreign exchange adjustments benefitted the market by about $80 million.

At 33.22 percent, Bloomberg increased revenue but slightly decreased market share, as did Thomson Reuters and S&P Global Market Intelligence, while FactSet Research Systems increased share to 4.45 percent.

Moody's Analytics led year-on-year growth with 19.06 percent, part of which was due to acquisition. Risk and compliance users again were the fastest growing customer groups in 2017 and have now delivered a whopping 9.71 percent compound annual growth rate over the past five years.

Pricing, reference and valuation products and portfolio management and analytics products were in highest demand, growing an average of 7.96 percent and 6.80 percent per year, respectively, over the same period.

Douglas Taylor, founder and managing director of Burton-Taylor, said: "The financial market data and analysis story continues to be one of unending demand for the information and tools necessary to ensure regulatory compliance."

He added: "Moreover, the continued posturing of global exchanges and traditional market data vendors to serve those data demands is causing significant 'hand-wringing' around the industry."

## SWIFT extends instant payment tracker

SWIFT has extended its gpi Tracker to cover all payment instructions, allowing gpi banks to track SWIFT payment instructions at all times.

The tracker, which was implemented in May last year, allows banks to track their gpi payments in real time. From November this year, a unique end-to-end transaction reference will be included in all payment instructions carried between all 11,000 customers on SWIFT.

According to SWIFT, the update will provide its gpi customer with greater transparency and cost reduction.

Harry Newman, head of payments at SWIFT, said: "SWIFT gpi has been hugely beneficial for banks and their customers since its launch, but extending this tracking facility across all payments traffic will be truly transformational. These expanded tracking capabilities are part of a series of gpi services we will roll out in 2018 to further improve the cross-border payments experience, enable banks to provide a far superior service to their customers and rapidly attract more banks to join."

Navinder Duggal, group head of cash product management from DBS, one of the early gpi adopters in Asia, added: "The extension of the Tracker to non-gpi payments is a major step forward. It will significantly extend transparency and it will drive more banks to join the service, rapidly making gpi the new normal in cross-border payments."

## Finastra gives APAC technology firms access to FusionFabric.cloud

Finastra has given several Asia Pacific (APAC) financial technology firms access to its FusionFabric.cloud platform, including InfoTrie, HedgeSPA and Paretix.

FusionFabric.cloud, underpinned by Microsoft Azure, enables third parties to develop and deploy innovative apps.

InfoTrie will use the FusionFabric.cloud architecture to build an application for Fusion Inves, where users will be able to navigate between their portfolio and market sentiment analysis for specific assets.

HedgeSPA is a data partner of InfoTrie, with presence in Hong Kong, Singapore and Silicon Valley. The financial technology firm provides an investment platform that can automate the investment cycle for institutional investors and has begun building front-end user interfaces (UI).

Based in Israel, Paretix, is a financial technology company focusing on emerging markets in APAC and Africa in the alternative credit scoring space. The firm is building an app to work in conjunction with the Fusion Essence retail banking system.

The University College London is also allowing overseas students, visiting London from China, to develop apps on the FusionFabric.cloud platform in Mandarin.

Zhicheng Long, chief technology officer at InfoTrie, said: "We are thrilled to be working with Finastra. The company's open philosophy opens doors for us to develop and monetise apps quickly and in a modern technology environment."

Bernard Lee, founder and CEO at HedgeSPA, said: "The FusionFabric.cloud environment holds huge potential for us."

"We are keen to develop Finastra-enabled UIs that can connect to our full functionality API, enabling users to access predictive investment analytics using artificial intelligence, big data, and cloud expertise."

Ariel Resnik, CEO at Paretix, said: "The tool we are developing will use our artificial intelligence-based algorithm to assess credit risk and enable potential borrowers with limited credit history to access fair loans from financial institutions."

She added: "The FusionFabric.cloud platform gives us the freedom to develop our app at speed. It also provides us the opportunity to reach Finastra's retail banking customers, so we can empower them with a sophisticated dashboard that enables credit officers to view and understand the credit decision and the portfolio risk, and easily change their credit policy accordingly to view and explain credit scores to customers."

## ABN AMRO chooses SIA to access instant payments

Netherlands-based ABN AMRO has chosen SIA's platform SIAnet to access instant payments.

SIAnet is designed to meet the requirements of instant payments in terms of security, reliability and ease of integration with single euro payments area's (SEPA's) instant credit transfer scheme, created by the European Payments Council.

According to ABN AMRO, as of 21 November last year, its clients can execute instant payments up to 15,000 euros in less than 10 seconds to other banks that participate in instant payments.

Cristina Astore, director of SIA's international division, said: "The success in the ABN AMRO bid further strengthens SIA's position at international level and proves the technological capabilities of its network services solutions."

She added: "We continue to leverage our developments of real time 24/7 solutions enabling our customer to easily benefit from new instant payments services".

Sandra Peute, business developer for SEPA Payments at ABN AMRO, commented: "ABN AMRO is very pleased with the service quality and operational excellence of SIA. We are looking forward, with much confidence, to a substantial growth of instant payments in Europe."

### White Paper calls for industry coordination to challenge cyber attacks

Cross-industry coordination around response and recovery mechanisms are essential to mitigating the systemic consequences of a large-scale cyberattack, according to a white paper published today by The Depository Trust & Clearing Corporation (DTCC). DTCC, which released the paper on 20 March, said there "is a need for additional efforts around specific cyber-scenarios and limited industry-wide testing".

These factors, it explained, were two key factors that "could complicate the ability of banks and other financial institutions to react quickly to an attack".

The paper features research and interviews with comment from over 50 industry respondents from various financial services and non-financial services practitioners.

The respondents recommended increased coordination across the industry, the development and implementation of standards to facilitate effective response, and recovery and adherence to regulatory principles.

The development of a collective response and recovery plan, outlining key response and recovery requirements and the establishment of contingent service arrangements were among two key initiatives mentioned in the paper.

Andrew Gray, chief risk officer at DTCC, said: "An attack on one or more institutions or critical infrastructures could have a contagion effect across the financial system, especially as interconnectedness continues to grow. As a result, it is critically important that firms incorporate additional redundancies to ensure that the failure of any single institution can be contained and mitigated."

He added: "To successfully achieve this, we must collectively prioritise resilience and recovery efforts across market participants, infrastructure providers, technology vendors and regulators."

Paul Mee, partner and cyber platform lead of digital and financial services at Oliver Wyman, commented: "Mitigating the systemic consequences of the increasing threat of large-scale cyber-attacks on the financial system is matter of national and international security."

He added: "In what is arguably a global cyber arms race, it is clear that major players need to be prepared, connected and coordinated in order to effectively respond to and rapidly recover from a large-scale cyberattack."

### Private equity drives value of Jersey funds

The value of regulated funds administered in Jersey increased to almost £300 billion at the end of 2017, according to the latest figures to be collated by the Jersey Financial Services Commission (JFSC) and published by Jersey Finance. The JFSC said the increase was primarily due to a rise in private equity business.

In Q4 2017, the total net asset value of regulated funds being serviced through Jersey increased by 10 percent over the quarter and by 12 percent year-on-year to stand at £291.1 billion (as at 31 December 2017), the highest value ever recorded.

This growth was driven by the alternative asset classes, which increased annually by 13 percent to represent more than three quarters (77 percent) of Jersey's total funds activity.

Within the alternative asset classes, private equity fund values rose by almost a third year-on-year (30 percent) to stand at £82.7 billion—the second consecutive year private equity has risen by that level.

Hedge fund values increased by 6 percent to £50.7 billion and real estate rose 2 percent to £37.5 billion.

Commenting on the figures, Geoff Cook CEO of Jersey Finance, said: "These are clearly very encouraging figures for 2017. On a macro level, these are uncertain times, but the indications are clear—Jersey is seen as a forward-thinking jurisdiction that can provide first rate standards of regulatory oversight, that is highly focused on supporting alternative fund managers, and that can offer an effective platform for generating better returns. All that is proving an attractive proposition for managers and investors looking for stability and future certainty."

Mike Byrne, chairman of the Jersey Funds Association, commented: "Over the past 12 months, Jersey has continued to work closely with the alternative fund management community, and these figures are a reflection of that hard work. Some of the largest private equity funds brought to market last year were structured through Jersey and we continue to see managers selecting Jersey to access both EU capital through private placement and the key UK investor market."

### G20 must adopt common regulations for cryptocurrencies

The G20 must work towards an agreement to adopt common regulations for cryptocurrencies such as Bitcoin, according to Nigel Green chief executive of deVere Group.

Green said: "G20 representatives must use [the upcoming] summit to work towards an agreement to adopt common regulations for cryptocurrencies. By doing so, they will position their respective countries on the right side of history."

The comments from Nigel Green, come as representatives of G20 prepare to meet for the G20 summit taking place in Argentina next week. Discussions on cryptocurrencies are expected to take place between finance officials.

Green continued: "What is needed is a global consensus on robust guidelines for this burgeoning industry. Cryptocurrencies are here to stay, with an ever-growing number of people, firms and institutions investing in the likes of bitcoin."

"This demand is only likely to gain momentum as knowledge and awareness increases, and as scalability matters are being tackled to bolster the transaction processing capacity. Also, precisely because financial regulatory bodies around the world are increasingly looking to regulate cryptocurrencies, which will give investors even more protection and confidence in the market."

In his recent announcement, Green commented that stringent rules would also be the most effective way to combat cryptocurrency criminality.

He said: "There will be less potential risk for the disruption of global financial stability, and the more potential opportunities there will be for higher economic growth and activity in those countries which introduce regulation."

The deVere Group founder and CEO has previously commented that the best way to address the regulatory issue is via the exchanges. He stated: "Nearly all foreign exchange transactions go through banks or currency houses and this is what needs to happen with cryptocurrencies. When flows run through regulated exchanges, it will be much easier to tackle potential wrongdoing, such as money laundering, and make sure tax is paid."

Green concluded: "The G20 summit is a golden opportunity to move in the direction of a global set of regulations to protect consumers and prevent illicit activity."

## Cordium responds to FCA letter

Firms must be able to demonstrate they have adequate product governance policies and procedures in place that match the new Product Intervention and Product Governance (PROD) obligations, according to Cordium.

The comments were made by Charlotte Malin, senior consultant and Jon Wilson, project director of Cordium, in relation to the release of the Financial Conduct Authority's (FCA) Dear CEO letter.

The letter, which was released on 10 January by the Financial Conduct Authority (FCA), targeted providers and distributors of contracts for difference (CFDs).

Cordium said in the midst of the implementation of the second Markets in Financial Instruments Directive (MiFID II) it "may well have passed under most firms' radars".

Malin and Wilson added that if firms can demonstrate appropriate policies and procedures are in place for PROD, this will also require careful analysis and adequate internal resources.

They said: "PROD not only codifies existing guidelines but is far greater in scope extending to all types of firms that either create, issue or design, or distribute financial instruments."

Malin and Wilson advised that firms looking to launch a new investment product or financial instrument need to "clearly define their target market during the manufacturing process".

"They need to decide who the product is aimed at and why, who it is not aimed at, whether it is priced appropriately, and consider the product's impact on the broader market."

Malin and Wilson, added: "Although the Dear CEO letter focused on one product line, it's view that 'firms need to improve a number of oversight and control arrangements to reach standards we would consider adequate' will easily be tested on other products, as well as services, within the scope of PROD." They also indicated that many issues identified by the FCA review "draw striking parallels" to the matters the FCA is seeking to address with new MiFID II product governance obligations introduced into the FCA Handbook as part of its PROD rules.

Malin and Wilson said that post-MIFID II implementation, there are wider implications arising that should be taken into account.

They said: "The FCA's approach to the distribution of CFDs gives an indication of its likely approach to product governance across the investment community—particularly towards any firm targeting investors with products or strategies that are considered higher-risk or complex."

Though, Malin and Wilson elaborated that the FCA views CFDs as high risk, with "complex products where many investors have already lost money".

"The Dear CEO letter highlighted that, during the period under review, 76 percent of those who bought CFDs, as part of advisory or discretionary portfolio management services, during the period under review, lost money."

Malin and Wilson stated that the FCA is waiting for the conclusions stemming from the European Securities and Markets Authority discussions regarding their concerns about CFDs and binary options before confirming its final conduct rules.

They said: "Until then, the FCA's Dear CEO letter clearly made its views clear as far as manufacture and distribution of these products is concerned."

"The [FCA's] investigation found that most CFD firms had not properly defined their target market and could not explain how CFDs fulfilled a specific investor need."

Malin and Wilson, concluded: "The investigation also highlighted more generic failings, such as the lack of proper communication and oversight between manufacturers and distributors, poor attempts at defining conflicts of interest, lack of or improper use of management information and concerns regarding corporate culture."

## AxiomSL assists firms to meet AnaCredit reporting requirements

AxiomSL has successfully assisted clients to comply with AnaCredit requirements across the Eurozone.

According to AxiomSL, over the last six months, all of AxiomSL's clients have completed their test submissions as prescribed by various regulators.

The minimum requirements of AnaCredit or analytical credit dataset and its related security holdings statistics report are outlined by the European Central Bank (ECB).

Currently, National Central Banks (NCBs) define their own national discretions for the collection of certain data attributes as well as different test window timelines and submission formats.

AxiomSL said these nuances present challenges to banks, particularly impacting those with subsidiaries and branches across Europe. AxiomSL's AnaCredit compliance platform accommodates client data structures which are then mapped to a single AnaCredit data dictionary.

AxiomSL said this supports all the NCB specific threshold rules, data requirements and submission structure, ensuring firms are able to achieve governance, automation and end-to-end process while lowering cost and increasing operational efficiency.

AxiomSL's coverage currently includes Belgium, Germany, France, Spain, Netherlands, Ireland, Italy, Greece, Finland, Luxembourg, Estonia and Malta.

Abhishek Awasthi, AxiomSL AnaCredit product manager, said: "Our method reduces cost and complexity and helps improve data quality. We have been able to address this type of cross-jurisdictional reporting challenge for years and are now seeing firms leverage AnaCredit as a catalyst to adopt a single platform for regulatory reporting."

He added: "Regulatory solutions by country or manual processes are no longer appropriate for effective compliance with AnaCredit. As a result, we are seeing increased appetite from firms to use one solution to consolidate their multijurisdictional reporting activities across the Eurozone."

## RegTek.Solutions bolsters core markets teams

RegTek.Solutions has made two senior sales appointments to support its growth in the core markets of North America and Europe.

Based in New York, Rob McGowan has been appointed head of sales for North America.

McGowan joins from SmartStream Technologies, where he served as senior vice president of sales.

In his role at SmartStream, McGowan was responsible for the transaction lifecycle process improvements and control for the middle and back office.

Tom Morris has been appointed as head of sales for Europe and will be based in London.

Morris joins from NEX Group, where he worked as business development manager.

He has also served as head of sales and relationship management for post-trade solutions at MarketAxess (TRAX), leading the business development of its trade and transaction reporting practice.

McGowan and Morris will both report to Brian Lynch, CEO of RegTek.Solutions.

Lynch said: "Rob McGowan and Morris' domain knowledge, sales experience and contacts will help fuel our further growth and I'm confident that they will each play a significant role in helping us achieve our strategic ambitions, namely; being instrumental in helping as many clients as possible to achieve sustainable compliance for trade and transaction reporting."

Commenting on his appointment, McGowan said: "The firm's strategic approach combined with the rapid adoption of their technology by clients and partners provides a tremendous foundation of success to build upon in the coming year and beyond." Morris added: "I'm excited to be joining RegTek.Solutions at this pivotal time and contributing to the next phase of solid growth as the new regulatory landscape beds down."

## BBH launches new risk management tool

Brown Brothers Harriman (BBH) has launched BBH InfoNAVSM, an administrator oversight and risk management tool for asset managers. The platform has been designed for the manager's middle office and treasury teams.

InfoNAV allows asset managers to monitor net asset value (NAV) creation performed by their third party fund administrators.

The new tool also assists asset managers to compare secondary NAVs to the administrator's NAV, highlighting specific variations that may require review or risk mitigation.

According to BHH, asset managers increasingly require daily administrator oversight as they face the challenge of managing complex data sets amid more stringent regulations.

In response to this, BHH is planning to introduce additional tools to further facilitate asset manager control and transparency, including those designed to detect NAV anomalies, provide NAV calculation status, and classify reconciliation breaks.

Christian Bolanos, senior vice president within the firm's investor services financial technology organisation, said: "While an asset manager's underlying fund administrator will always be responsible for the 'official' NAV calculation, InfoNAV facilitates an independent secondary NAV capability without the overhead of an additional administrator or duplicate operations."

He added: "Both asset managers and regulators are demanding new oversight models, so control and transparency into the operational process and output are imperative. Our clients have seen the value InfoNAV provides in creating a daily secondary NAV for comparison to their administrators."

## Luxembourg UCITS fund hits CIBM

Harvest China Bonds Fund, a Luxembourg UCITS client of HSBC Securities Services (HSS), has become one of the first funds to trade in the China Interbank Bond Market (CIBM) using the newly launched Bond Connect scheme.

Bond Connect allows overseas investors to trade in CIBM through connection between the mainland China and Hong Kong financial infrastructure institutions.

Harvest China Bonds Fund, launched by Harvest Global Investments, will offer both institutional and retail investors in Europe the opportunity to access the $10 trillion CIBM, the third largest bond market in the world.

The fund will also give European investors the ability to diversify their investments and gain exposure to the China bond markets.

The partnership with Harvest has been growing for over eight years and spans Asia and Europe. HSBC is currently trustee, global custodian, fund administrator and Renminbi Qualified Foreign Institutional Investor custodian to Harvest's funds in Hong Kong.

Nicholas Maton, head of Securities Services at HSBC in Luxembourg, commented: "We have seen the CIBM rapidly develop and China is determined to open up the capital markets for foreign investors and asset managers."

He added: "We are very pleased to support our clients in trading via the Bond Connect channel and being the pioneer to drive the development of Luxembourg fund industry."

Ashley Dale, chief business development officer and chief marketing officer for Harvest Global Investments, said: "We believe our expertise in managing assets in China, with an established and sophisticated team of over 200 investment professionals on-the-ground locally, complimented by our investment pedigree in Hong Kong, allows us to provide our clients with the most insightful, well researched and actively managed products available."

He added: "Our UCITS product line-up is developing well, with funds that really reflect the huge opportunities in China and throughout Asia."

## Duco launches new reconciliation solution

Data engineering technology company Duco has launched a self-service reconciliation solution, Duco Cube. The new hybrid SaaS solution enables banks to deploy Duco's data reconciliation service on its own private or public cloud.

As part of the launch, Julian Trostinsky has been hired as vice president of global services and will be taking ownership of the new solution.

As part of his new role, he will build out a larger global services division that will offer onboarding acceleration of customers' reconciliations, advice on market best practices, operation transformation and total cost of ownership reduction services in the reconciliation space.

Prior to his new role, Trostinsky has served in various roles at Citi, BNY Mellon and SmartStream. Commenting on his new role, Trostinsky said: "Hybrid SaaS means that our larger clients benefit from monthly upgrades and reap all the benefits of Duco's continued innovation, without having to share their data if they are not ready to, or are subject to restrictive regulations."

"This innovative solution avoids the 'multiple version' issue that remains a massive, if less spoken about, drag on cost and quality in the enterprise software industry."

Christian Nentwich, CEO of Duco, said: "I am excited to have Julian Trostinsky join our team and bring his considerable experience of optimising data and reconciliation deployments in global accounts to Duco."

## MiFID II set to increase electronic trading, says Greenwich Associates

The second Markets in Financial Instruments Directive (MiFID II) is set to make the European corporate bond market more transparent, and likely more electronic, according to Greenwich Associates.

However, the financial services advisor suggested that investors are waiting to see what this means for liquidity in the market longer term.

A new report, European Corporate Bond Trading: Impacts of MiFID II, found that more than half of investment-grade corporate cash bond trading volume is now conducted electronically in Europe, topping the 19 percent of electronic volume in the US.

According to the report, MiFID II is expected to push even more European business to electronic venues, as dealers try to minimise high compliance costs with new technology platforms. It also revealed that regulators expect this and other changes caused by the directive to make markets more transparent and competitive.

However, industry players are concerned that the prices of success for increased transparency could be reduced level of liquidity in products like corporate bonds.

Brad Tingley, market structure and technology analyst at Greenwich Associates and author of the new report, said: "Despite these concerns, increases in dealer competition should ultimately result in tighter spreads."

Even before the implementation of MiFID II, European fixed-income investors were experiencing reductions in corporate bond market liquidity.

The report found that institutional investors in search of consistent liquidity are looking to alternatives such as single-name credit-default swaps and corporate bond exchange-traded funds.

Tingley added: "Investors are taking these steps to ensure liquidity in the short term."

"Over a longer-term horizon, increases in transparency and efficiency brought on by MiFID II and the continuing electronification of market will be a long-run benefit for all involved."

## BNY Mellon to provide global custody for WRS

Wichita, Kansas Retirement Systems (WRS) has selected BNY Mellon to provide global custody, accounting and reporting, compliance monitoring, benefit disbursements, securities lending and cash sweep.

WRS provides retirement and survivor annuities, disability benefits, death benefits, and other benefits for the public employees and retirees of Wichita, Kansas.

Pam Beim, pension manager at WRS, said: "Wichita Retirement Systems selected BNY Mellon to provide custody services, due to their unmatched level of understanding of public funds relevant in today's market."

"We look forward to partnering with their experienced specialists that are focused on relationship-building and client satisfaction."

Dan Smith, head of BNY Mellon's asset servicing in the Americas, commented: "We are excited to be appointed by the WRS and look forward to supporting them and their constituents."

He added: "Our unmatched servicing team, technology, stable balance sheet, and industry expertise will help them achieve their investment goals, so the people of Wichita can receive their pension benefits."

### Smartkarma expands to Frankfurt

Smartkarma has opened a new office in Frankfurt to support the expansion of its research network across continental Europe.

Tim Bruenjes, head of Continental Europe Smartkarma, will head up the new office.

The Frankfurt office opening follows the recent announcement that Smartkarma is expanding its insight provider network to focus on European investment research.

The new office will develop a pan-European network of independent providers as well as supporting institutional investors across Continental Europe with Asia and emerging market investment research.

Bruenjes commented: "As European investors hunt for alpha and respond to the evolving regulatory landscape, many are looking for opportunities outside the domestic market and see the emerging markets of Asia as an excellent fit for their investment strategies."

"Smartkarma offers European funds investing into Asia and those looking for differentiated coverage outside of European markets, an unparalleled, compliant and cost-effective research solution for idea generation."

Jon Foster, co-founder an chairman of Smartkarma, added: "The demand for unconflicted, unbundled research is rapidly rising following the implementation of the second Markets in Financial Instruments Directive."

"Our innovative research platform provides the buy-side with transparent pricing and instant access to insight providers, creating on-demand and real-time coverage and feedback, which is invaluable to investors sitting in European time zones."

### Donnelley and MSCI partner for SEC requirements

Donnelley Financial Solutions (DFIN) has partnered with MSCI to provide a reporting solution, helping investment managers and fund administrators comply with new Securities and Exchange Commission (SEC) modernisation requirements.

Under the agreement, MSCI will provide financial market data and risk metrics that will feed into Donnelley Financial Solutions' ArcFiling data platform, to streamline the reporting process and help support compliance.

With the US SEC's reporting modernisation rules, US mutual funds, and other registered investment funds, are required to gather more extensive information at a higher frequency.

The rule, which becomes effective on 1 June this year, also includes additional rules that states additional reference and taxonomy data and risk metrics need to be included by fund managers, in order to meet monthly Form N-PORT requirements.

Eric Johnson, president of global investment markets at Donnelley Financial Solutions, said: "We are very pleased to collaborate with MSCI to efficiently comply with the new regulations."

He added: "The combination of MSCI's data and Donnelley Financial Solutions' expertise will allow our clients to better manage and understand their data, calculate risks, and build an efficient reporting process."

Jorge Mina, head of analytics at MSCI, commented: "As the SEC compliance deadline approaches, asset managers are finalising their implementation plans."

"We are excited to work with Donnelley Financial Solutions to deliver a broad offering that will help companies meet regulatory requirements more effectively."

### AxiTrader launches tighter spreads on cash CFDs

Global trading platform AxiTrader, has launched tighter spreads on cash contracts for differences (CFDs), which, according to AxiTrader, will offer one of the most competitive pricing structures in the market.

CFDs allow traders to follow an asset price both up and down, with cash payments used for the differences in settlement, rather than physical goods or securities.

The low spreads and competitive financing, are available for cash CFD trades on the Standard & Poor's (S&P) 500 index and are available to AxiTrader's UK customers.

Louis Cooper, global head of retail services at AxiTrader, said: "The S&P can be very volatile, as recent fluctuations have demonstrated. As such, there's a huge advantage to being able to trade both long and short as a cash CFD, it allows traders to benefit from that volatility. That's why we felt the time was right to launch our exceptionally competitive cash CFDs offering."

He added: "Cash CFDs are particularly exciting for spread betting, as traders are at present exempt from paying taxes on their profits with these accounts. With some of the lowest financing fees available on the market today, traders are able to enjoy maximum returns from the cash CFDs."

### Arkle Finance partners with AFP for GDPR toolkit

Arkle Finance has partnered with Asset Finance Policy (AFP), an independent regulatory affairs consultancy, to offer its brokers a General Data Protection Regulation (GDPR) toolkit.

The AFP toolkit offers a checklist, which according to Arkle Finance, will help brokers to complete the key steps needed for

GDPR, offering a step-by-step guidance that helps brokers to get compliant quickly and affordably.

It includes model documents that brokers can adapt and use such as consent request, privacy notice and data rights forms.

The author of the toolkit is Julian Rose, who has worked asset finance brokers since starting AFP in 2014 after six years as head of asset finance at the Finance and Leasing Association.

Arkle Finance provides support to small asset finance broking businesses having to prepare for new European data protection regulations.

Daniel Bailey, managing director of Arkle Finance, said: "Complying with the new rules is of critical importance for everyone in both the broker and lender communities, but the good news is that the changes required are unlikely to be substantial for most brokers. GDPR shouldn't become an obstacle to a broker's normal business."

He added: "There's no shortage of information about GDPR out there, but there's nothing as practical and specific to asset finance brokers as this toolkit. It should be particularly useful for small firms without in-house compliance experts or external advisers.

"Trust and mutual support are a key part of Arkle's relationship with brokers and their clients, and we hope our toolkit will give them some vital assistance as they prepare for the arrival of GDPR."

## JTC listed on London Stock Exchange

Independent fund, corporate and private client service provider JTC has been admitted to trade as a public firm on the London Stock Exchange (LSE).

JTC is headquartered in Jersey and has a presence in Africa, the Americas, Asia Pacific, the British Isles, the Caribbean and Europe.

It received investment from CBPE Capital in 2012 to enable its global expansion, to a public company.

Nigel Le Quesne, CEO of JTC, said: "This is a fantastic opportunity for JTC. Having grown the business over the last 30 years into a leader in the administration services market for funds, corporate and private clients, this is the next logical step in our strategy and will create a long-term capital base for the business."

He added: "We would like to thank CBPE for their role in the development of JTC from a Channel Islands focused administrator to a global service provider with a broad client reach."

"They have provided invaluable support and investment which has facilitated an acceleration in JTC's growth and success."

Mike Liston, chairman of JTC, commented: "As JTC's new chairman, I aim to build on its exemplary reputation for high ethical standards, rigorous governance and respect for its clients and people."

## Valuable Capital partners with Saxo Bank on investment services

Valuable Capital Group and Saxo Bank are to form a new partnership to provide global investment services.

The agreement will leverage Saxo Bank's trading technology and access to global capital markets. At the same time, the partnership helps Saxo Bank strengthen its offering and client experience through Valuable Capital's multi-asset trading and investment technology capabilities. Valuable Capital is a part of SINA Corporation Group.

Ge Xu, chairman of Valuable Capital, said: "By cooperating with Saxo Bank, Valuable Capital is able to provide clients with access to global financial markets with a specific focus on the European markets."

He added: "The partnership with Saxo Bank is an important step in the international development of Valuable Capital enabling the group to provide better investment services in diversified financial assets to all clients and ensure that more investors have access to the new opportunities arising from increased internationalisation."

Kim Fournais, founder and CEO of Saxo Bank, said: "We see partnerships and increased cooperation as one of the most disruptive factors in the financial industry."

"By entering into cooperation and leveraging each other's strengths, partnerships help deliver truly best-in-class client experience much more efficiently."

## Luxembourg UCITS turn 30

Luxembourg UCITS will hit a new milestone tomorrow, as it marks the 30th year since its implementation on 30 March 1998.

Since then, Luxembourg has become the global leader for cross-border distribution of investment funds, and as of today 65 percent of UCITS funds distributed internationally are based in Luxembourg.

Luxembourg currently has over €3500 billion assets under management in UCITS investment funds. Luxembourg UCITS are held by investors resident in over 70 countries worldwide.

A growing number of countries in Asia and Latin America have accepted UCITS as a stable, high quality, well-regulated investment product with significant levels of investor protection.

Denise Voss, chairman of ALFI, commented: "Since the very beginning, ALFI has been one of the most fervent promoters of UCITS funds and we continue to promote the benefits of UCITS and alternative investment funds through our busy programme of roadshows and events that cover five continents."

She added: "ALFI is committed to remaining at the forefront of all changes and improvements to the European investment fund regulatory and operational framework, and to offering state-of-the-art solutions for the evolving needs of the asset management industry and investors worldwide."

"We wish 'long life and prosperity' to the global brand that is UCITS which, with the increasing need for investors to take responsibility for their own long-term financial security, will have an increasingly important role to play going forward." AST

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# GDPR: The final stretch

After the intense race toward MiFID II at the start of this year, are financial services firms ready for the next hurdle, GDPR?

*Jenna Lomax reports*

The implementation of the second Markets in Financial Instruments Directive (MiFID II) was largely successful for the financial services industry. Most were more than prepared for the implementation when it was introduced on 3 January, running with a batton of new functionality and systems being used to help meet the new regulatory obligations.

But, now comes a brand new race, the General Data Protection Regulation (GDPR), which replaces the EU Data Protection Directive, originally established in 1995.

The new rules, which kick in on 25 May, cover how organisations process personal data and extend to the activities of non-EU organisations that offer goods or services to people located in the EU.

With such a big change, there is no time to take a slow jog around the track. The financial services industry should all be picking up pace and making their way to the finish line. This year is already a busy year in terms of regulation, how will the rollout of GDPR affect the financial services industry?

## Runners, take your places

In a recent survey, carried out by Claranet, 69 percent of businesses were found to be lacking in terms of proper data management, casting doubt on their ability to comply GDPR in time for the May deadline.

The survey, which asked 750 IT decision-makers, identified that security is an area that many are struggling with.

Almost half (45 percent) said they were encountering challenges around securing customer details when trying to improve the digital user experience for customers.

Commenting on the findings, Michel Robert, Claranet's UK managing director, says: "GDPR is on our doorstep, but it is clear that many organisations have their work cut out if they are to comply with the regulation."

"Thinking more broadly, the fact that almost seven in 10 organisations can't guarantee the security of their customer data is particularly concerning."

## Get ready

A reason for this could be the overshadowing implementation of MiFID II, which despite being implemented in January, still requires attention from the financial services industry.

According to Robert Angel, head of regulatory solutions at Northern Trust: "Whilst it's surprising the effort spent by the industry on regulatory compliance is expected to increase, MiFID II will require ongoing efforts for the duration of 2018. GDPR is fast approaching and with many fund managers focused on other regulatory change, the significance and work required for [the regulation] is likely to only being focused on now."

From the same stance, the Financial Conduct Authority (FCA) stated the imperative need for firms to prepare for GDPR as soon as possible.

The FCA explains: "Compliance with GDPR is now a board level responsibility, and firms must be able to produce evidence to demonstrate the steps that they have taken to comply. The requirement to treat customers fairly is also central to both data protection law and the current financial services regulatory framework."

It added: "When the FCA makes rules, we take into account how our requirements will affect the privacy interests of individuals such as firms' customers and employees. However, we recognise that there are still ongoing discussions to ensure specific details of the GDPR can be implemented consistently within the wider regulatory landscape."

Jon Trinder, fund services product manager at Linedata, says: "Firms should have carried out a full data inventory by now and should be in the final stages of implementing their response plans."

But, Trinder warns: "With all the spinning plates that firms have at the moment, there is a real danger that one of them is going to be picking up the porcelain. The consequences of non-compliance under GDPR can be fairly punitive, up to €20 million, or 4 percent of global turnover, whichever is the greater. So [GDPR] is very significant indeed and the burden of proof lies with the firm to prove compliance."

### Get set, and...go!

To prepare its members for the GDPR implementation, The Alternative Investment Management Association (AIMA), based in Canada, has published its own GDPR implementation guide.

AIMA's guide examines and explains the requirements for all controllers and processors, enhanced rights of data subjects, minimum cybersecurity measures, and breach detection, as well as notification and sanctioning regimes.

Jack Inglis, CEO of AIMA, said: "[Our] guide will help to inform members of their obligations and hopefully reassure them where certain misunderstandings may exist. It is important that our members are able to demonstrate that they have a clear understanding of what personal data is in their possession, why it has been obtained and how it is used."

Similarly, Andrew Denham-Davis, business development director at investment management firm Brooks Macdonald, has released an analysis on GDPR and what advisers should be doing to be complaint.

The analysis examines 12 different areas that advisers should take into account when ensuring compliance.

These 12 points include considering staff training or communications programmes to educate those involved in the processing of personal data about the new requirements and processes in place, as well as getting advisers to clarify whether personal data will be passed on to third parties.

It states: "Where both parties are data controllers, they should ensure that any contract clearly sets out each respective responsibilities."

## GDPR Timeline

October 1995: Data Protection Directive created to regulate the processing of personal data

January 2012: Initial proposal for updated data protection regulation announced by the European Commission

March 2014: The European Parliament approves its own version of the regulation in its first reading

June 2015: The Council of the EU approves its version in its first reading, known as the general approach, allowing the regulation to pass into the final stage of legislation, known as the "trilogue"

December 2015: The Parliament and Council come to an agreement, and the text will be final as of the official signing to take place in early January of 2016

January to April 2016: GDPR is adopted by the Council of the European Union and adopted by the European Parliament

May 2018: Following a two year post-adoption grace period, the GDPR will become fully enforceable throughout the EU

The Brooks Macdonald analysis also states: "Advisers need to ensure that any personal data they hold, whether physically or digitally, stored in archive facilities, in their customer relationship marketing system, back-office systems, or platforms, is relevant and accurate."

"Processes should be in place to keep such data secure, up to date and compliant with the rights of their clients."

Brooks Macdonald says that professional advisers "are likely to be considered as 'data controllers' under GDPR".

It says because of this, "[advisers] will therefore need to be able to fulfil individuals' requests to see the personal data which is held on them and to comply with additional rights of individuals".

A further concern for advisers is avoiding data breaches, Denham-Davis, says "confirming the authenticity and legal entitlement of individuals making such requests will be vital".

Denham-Davis concluded: "If advisers wanted to set up a data sharing arrangement with a third party, or wanted to install new IT systems, they could consider the technical solutions available and the cost of implementation [...] to ensure personal data is safeguarded and the rights of individuals whose data will be processed are protected." AST

# Winner takes all

## The annual R&M Investor Survey allows investment managers and asset owners to score their service providers on performance, and this year's results show some movement for certain providers

*Becky Butcher reports*

**Every year asset managers and other financial services clients take part in the R&M Investor Services survey to score their service provider out of seven, rating them on performance in categories such as corporate actions, reporting, settlement and safekeeping, and client service and account management.**

Taking the winners place as best investor services provider, with a clear 23 points above second spot, was Pictet.

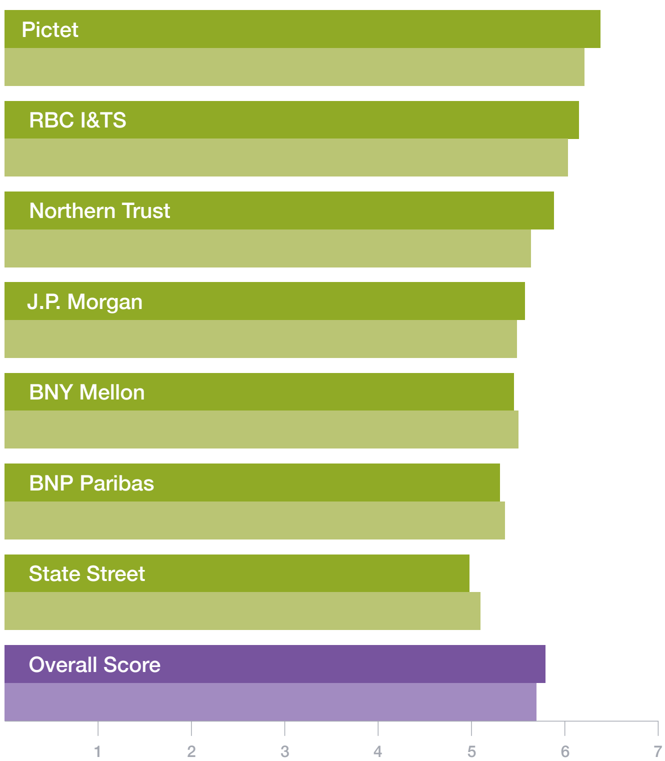
The Swiss asset manager, which held onto the top spot from last year, scored an average score of 6.41.

Remaining in second place was RBC Investor & Treasury Services (RBC I&TS), who scored an average of 6.18.

Both Pictet and RBC I&TS saw an increase on last year's average score with a 17-point jump for Pictet and a 12-point jump for RBC I&TS.

Retaining its third-place position was Northern Trust, who received an average score of 5.91.

### Overall Score




| | 2018 | 2017 | Change 18/17 |
|---|---|---|---|
| 1 Pictet (1) | 6.41 | 6.24 | 0.17 |
| 2 RBC I&TS (2) | 6.18 | 6.06 | 0.12 |
| 3 Northern Trust | 5.91 | 5.66 | 0.25 |
| 4 J.P. Morgan (5) | 5.60 | 5.51 | 0.09 |
| 5 BNY Mellon (4) | 5.48 | 5.53 | -0.05 |
| 6 BNP Paribas (6) | 5.33 | 5.38 | -0.05 |
| 7 State Street (7) | 5.00 | 5.12 | -0.12 |
| Overall Score | 5.82 | 5.72 | 0.10 |

J.P. Morgan and BNY Mellon held onto fourth and fifth sport, respectively. J.P. Morgan scored an average of 5.60, while BNY Mellon totalled an average score of 5.48.

Lower down the table was BNP Paribas, who took sixth place with an average score of 5.33, a drop from last year's 5.38 average score. State Street came in at seventh with 5.00, also dropping points from last year's 5.12 score.

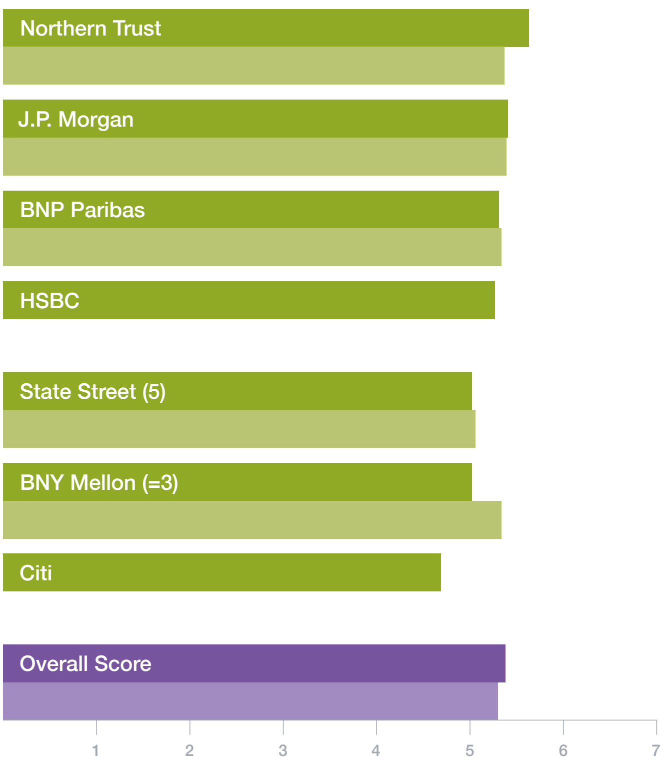
Survey responses from Pictet clients suggested that staff were "knowledgeable and attentive" and look to "provide solutions to problems as efficiently as possible".

Another client added that Pictet are "by far the easiest custodian to deal with".

RBC I&TS also received positive comments from clients such as "nothing short of excellent" and "delivers high quality service".

At the other end of the spectrum, BNY Mellon's clients said that the bank "continues to be at the bottom of our list, but there has been progress", while another said that the bank's corporate actions entitlement posting "has got progressively worse over the past 12 months". However, one client explains that they are "very excited about [the bank's] upcoming technology initiatives on the NEXEN platform".

## Top 200 Asset Managers




| | 2018 | 2017 | Change 18/17 |
|---|---|---|---|
| 1 Northern Trust (2) | 5.63 | 5.37 | 0.26 |
| 2 J.P. Morgan (1) | 5.41 | 5.39 | 0.02 |
| 3 BNP Paribas (=3) | 5.31 | 5.34 | -0.03 |
| 4 HSBC | 5.27 | | |
| =5 State Street (5) | 5.02 | 5.06 | -0.04 |
| =5 BNP Paribas (=3) | 5.02 | 5.34 | -0.32 |
| 7 Citi | 4.69 | | |
| Overall Score | 5.38 | 5.30 | 0.08 |

State Street also continues to see a decline in its scoring. One US asset owner said: "Quality has declined over the past year. High turnover in account management role resulted in poorer service quality. No marked improvement in service offerings and not proactive in suggesting process improvements or improved products. Poor communication of regulatory changes and not proactive in assisting clients with upcoming changes."

The survey results showed that there were "too few responses" received for HSBC and Citi to appear in the overall table, however, one survey participant noted: "HSBC do not provide details for events as promptly as expected, request details not required by peers, and the client service provision has not been of the standard required to effectively manage events." Another explained: "Citi do not provide regular management information system and are unable to produce this even for formal service reviews."

Last year, no bank improved its overall score from the previous year, however, this year four out of seven banks saw an increase on 2017's average score. These banks include Pictet, RBC IT&S, Northern Trust and J.P. Morgan. Northern Trust witnessed the biggest jump and "most improved" with a 25 point increase on the previous year's score.

One respondent commented: "We work with 78 custodians, Northern Trust is our number 1 for reliability, reporting, customer service and settlements. Their professionalism is unrivalled in the industry."

## Top 200

Northern Trust also top the leader of the Top 200 Asset Managers table, scoring 5.63, a 26 point jump from last year's score.

The bank, who put in a "very strong performance", according to survey, put some distance between itself and its closest rival J.P. Morgan and reversed the decline it saw in 2017's score.

J.P. Morgan, who sat top of the ranks last year, saw a two-point increase on last year's result, jumping to a score of 5.41, while BNP Paribas scored 5.31, a decline of three points.

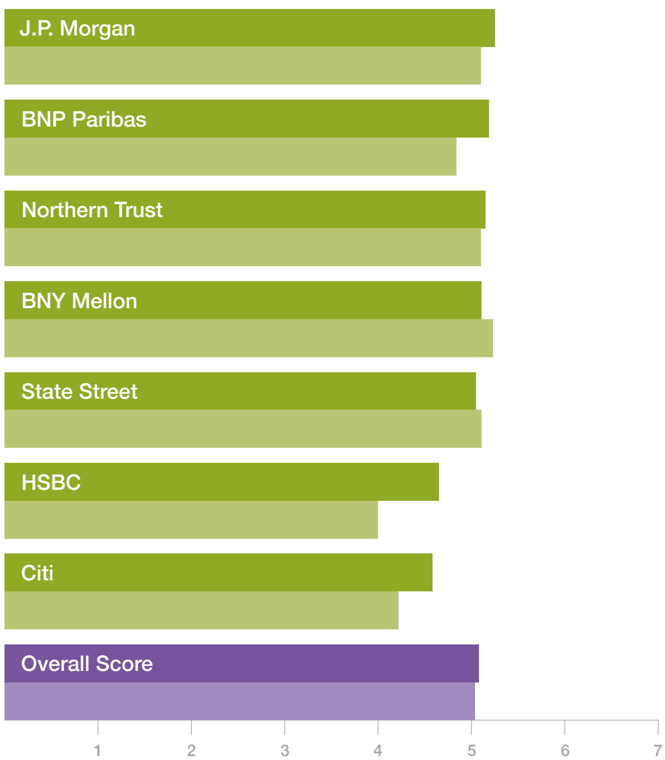
In fourth, HSBC scored 5.27, while State Street and BNY Mellon come in at joint fifth with 5.02 points.

Citi sat bottom of the table in seventh scoring 4.69.

One survey participant summed up their views on the providers it uses, suggesting that "it has not been a bad year for our custodial relationships".

The participant said: "We feel we have good contacts across all custody and a lot of the time the experience dealing with our account should mean that answers to queries does improve. BNY Mellon continue to be at the bottom of our list but there has been progress but not with corporate action entitlement processing. The transition

### The Experts




| | 2018 | 2017 | Change 18/17 |
|---|---|---|---|
| 1 J.P. Morgan (=4) | 5.25 | 5.10 | 0.17 |
| 2 BNP Paribas (6) | 5.19 | 4.84 | 0.12 |
| 3 Northern Trust (=4) | 5.15 | 5.10 | 0.25 |
| 4 BNY Mellon (1) | 5.11 | 5.23 | 0.09 |
| 5 State Street (3) | 5.05 | 5.11 | -0.05 |
| 6 HSBC (8) | 4.65 | 4.00 | -0.05 |
| 7 Citi (7) | 4.58 | 4.22 | -0.12 |
| Overall Score | 5.08 | 5.04 | 0.10 |

side of the business has also been a frustration along with updating on tax rates and tables."

Another survey respondent commented on State Street, who took fifth place in the Top 200 asset managers. The respondent said: "Responsiveness from State Street has been slow relative to other custodians, although towards the end of the period this has started to improve. We continue to experience challenges with State Street during transitions process, particularly with incorrect information being provided and delays during the process."

### The experts

When it comes to 'the experts' results, that is, results from respondents that work with five or more providers, the most notable improvement was for HSBC gaining 65 points from its low score of 4.00 last year. BNP Paribas also increased its score by 35 points, moving into second behind J.P. Morgan, who scored 5.19.

The biggest decline come from BNY Mellon, who witnessed a 12-point decline.

One respondent commented on BNY Mellon said: "BNY Mellon takes a rigid stance on instruction requirements and is not able to work with the investment manager to meet our specific needs. Requirements often change overnight without warning, with instruction formats that have been consistently sent no longer being accepted by the bank."

The same respondent also commented on State Street: "Client service improvements that were made in the 2016 calendar year decreased in the 2017 calendar year due to restructuring. State Street has responded by instituting bi-weekly calls to discuss outstanding issues/concerns."

Another respondent explained that "Pictet, BNP Paribas and HSBC do not have as flexible and robust reporting as some of the larger global custodians. Custodians across the board are delayed in responding to inquiries. Citi, BNP Paribas, and HSBC have different service models across the globe. They are all working on closing the gap but it is moving slowly."

### Geographical outlook

Sitting top of the ranks in the UK, North America and the rest of the world was Pictet. It also come second in mainland Europe and Switzerland. RBC I&TS also featured in the top two of every geographical location, with the exception of Switzerland.

Another close contender was Northern Trust, who took third place for the UK, North America and the rest of the world, while it took fourth position in mainland Europe.

### Change in Service Levels

| | Improved | Stayed the same | Declined | No comment |
|---|---|---|---|---|
| BNP Paribas | 29% | 63% | 0% | 8% |
| BNY Mellon | 25% | 67% | 11% | 7% |
| HSBC | 29% | 50% | 21% | 0% |
| Credit Suisse | 26% | 74% | 0% | 0% |
| J.P. Morgan | 16% | 73% | 5% | 5% |
| Northern Trust | 32% | 63% | 5% | 0% |
| Pictet | 19% | 72% | 3% | 6% |
| RBC I& TS | 25% | 59% | 3% | 12% |
| State Street | 25% | 50% | 22% | 3% |
| UBS | 13% | 75% | 0% | 13% |
| (other) | 10% | 70% | 3% | 17% |

# Building the brand

## Hannah C Jaeger of SANNE discusses her new role and how the company is expanding its offering in the US

*Jenna Lomax reports*

**What does your role as head of client relationship management involve?**

My role is predominantly focused on growing the SANNE brand across the Americas. In addition to this, I support the business by overseeing all existing and new growth opportunities. That growth being both organic and in-organic enhances product awareness from all of our global capabilities to the US and then also to, not just the market, but existing clients, which means cross and up selling as well.

**How will your previous roles help you at SANNE?**

I've worked across various aspects of the front office, middle office and back office. I've interfaced on the fund manager side, and I have met everyone from the people executing investments to the chief compliance officers, the CFO and COO's and also the technology side.

This has helped me to understand the holistic investment process and full life cycle of a fund and a fund manager. I also worked at Orangefield, building the brand in the US as well as building out the private equity market.

I'm excited. SANNE have a really great team and an excellent product and robust service offering.

What many people don't realise is that we have an office of 90 people in New York, which used to be Morgan Stanley's private equities stock office. In terms of impact, I'm hopeful that I'll be able to quickly be impactful in the market, just with a little branding. It seems to be going well so far.

*Initially, I thought people reacted to AIFMD with panic. And then after it stuck around and people started to understand it, they understood how people and businesses could comply*

**How has SANNE expanded its offering in the Americas so far?**

SANNE acquired a group called FLSV Fund Administration Services LLC, which was formally headed by Jeffrey Hahn, who previously served at Morgan Stanley. All of our product capabilities align with our global model. We service closed-ended funds across hybrid private equity, real estate, private debt and capital markets. We have already added corporate services as something that we are doing out of the US.

The best thing about our global offering is that we can service clients from whatever jurisdiction they need. Given all of our capabilities, if someone needs a fund manager, or a client needs us to provide a service in the US that we already do in a different jurisdiction, it's fairly easy to mirror that.

We know we can offer our US clients the outsourced administration services. So now if someone wants to go and market in Europe, we can help them comply by providing them with the Alternative Investment Fund Managers Directive (AIFMD) compliant depositary services and fund and corporate administration services.

These can be serviced from within Europe, the Middle East and Africa region as well, which is an added benefit.

**What challenges does the asset servicing industry face in 2018?**

One of the challenges for private funds and private equity is that people are looking for investment. They have capital and they're solely in real estate, for example.

Right now the big issue is tax. The impact of the new tax regime, what's going to happen and how will it affect funds. The pressing question is: how does that affect investors?

I joined SANNE in January and I'm really excited to be here and I'm extremely impressed thus far with the calibre of professional people we have across our global business. And we have a lot of experienced and skilled employees across all levels and areas who take service excellent very seriously.

I've been very impressed across all divisions of the group and firmly believe that because we have such a dynamic young group of business leaders who are driven to achieve and execute all of our business plans.

**AIFMD is an EU directive that places hedge funds, private equity and other alternative investment firms into a regulated framework. How has it affected SANNE since its first implementation back in 2011?**

Initially, I thought people reacted to AIFMD with panic. And then after it stuck around and people started to understand it, they understood how people and businesses could comply.

Europe is a huge market and a lot of investments comes out of there, so being able to help our US clients in that regard was a challenge.

We've expanded our offering in order to support our clients with their needs on AIFMD. Our office in Luxembourg currently has more than 100 people in it, so we have scaled and robust capabilities and operations there.

In addition, in Dublin (another key European financial jurisdiction of choice for US clients) our business operations have been authorised as a fund administrator by the Central Bank of Ireland in Q3 2017–this further expands our capabilities there too.

**Has AIFMD had a negative effect on the industry? And have you seen it bring any opportunities?**

It's easier to go and face the unknown than avoid it. There were a lot of US managers who were advised properly.

And when the directive first came out, it wasn't possible initially to outsource your management company, so the cost involved with setting up a management company in Europe and doing everything you need to comply for passport were tremendous.

The service industry, has been able to solve those problems, and actually offer an efficient and effective solution. AST

# Out with the old, in with the new

## The combination of regulatory changes, technology advancements and the need to remain competitive is prompting market players in Asia to reassess their operating models. Gary O'Brien of BNP Paribas explains more

**How is the Asia Pacific enhancing its methods of trading and clearing securities?**

There are a number of markets either reviewing or implementing enhancements and given the fragmented nature of the Asia Pacific region there are several different reasons driving these decisions. One of the drivers of change is the need to replace older technology. Market infrastructure technology in a number of markets is facing an end of life scenario and as a result, several central securities depositories (CSDs) and trading venues are looking to replace their existing technology.

For example, last December the Australian Securities Exchange (ASX) announced the replacement of their existing clearing and settlement infrastructure with a solution based on distributed ledger technology (DLT). This will be a first of its kind and the region is watching its progress closely; day one functionality is expected to be confirmed by the end of March this year, and there is keen interest to see the format it will take.

Other markets are considering whether following a similar approach also makes sense. The Hong Kong Exchange (HKEx), for example, is considering whether DLT should form part of their NextGen solution. Some of the smaller markets like New Zealand have gone down a different route with the Reserve Bank of New Zealand (RBNZ) deciding that their enhancements to the NZClear market infrastructure will be completed using technology already in use in other markets.

Aside from enhancing technology, markets are also reviewing settlement cycles. For example, Australia and Hong Kong are already on a T+2 settlement cycle. Other markets, like Singapore, have announced they will shorten their settlement cycle later this year, which is a proven way to remove a level of risk/uncertainty from the clearing and settlement process and to provide investors with quicker access to the assets they buy or the funds they receive from sales.

Another key topic driving change in the Asia Pacific is regulatory change. Like in other regions, regulators are paying close attention to areas that can improve the efficiency, safety and oversight of trading and clearing markets. One interesting trend is in the area of regulatory capital changes to promote the use of third-party clearing solutions in different markets. As a result of these regulatory changes we have seen an uptick in the number of brokers wanting to outsource their post trade activities to specialist providers like BNP Paribas.

The combination of regulatory changes, technology advancements and the need to remain competitive are prompting many market players across the region to reassess their operating models and change their solutions in order to take advantage of new opportunities or to protect existing business.

**What should firms be focusing on during this clearing and settlement transformation?**

The technical changes being implemented can impact on the way that a participant needs to communicate with the market. For example, the ASX, HKEx and Singapore Exchange (SGX) are all implementing ISO 20022 as the main instruction and reporting channel in their enhancements. BNP Paribas was the first to use the ASX ReferencePoint ISO 20022 service slashing the delivery of corporate action notifications from hours to seconds. The same for Singapore where BNP Paribas connects directly to the SGX's new post trade systems with FIXML and ISO 20022 traffic on SWIFT for domestic clearing and settlement.

Changes are being implemented to settlement cycles–impacting funding requirements for example; service, impacting solutions the participant can provide to their underlying clients; and market rules—with the potential to impact participants' operating model or legal documentation.

Firms that are not direct participants, but are impacted by the changes, should also consider whether the impacts should result in adjustments to their existing support model. If we look at such changes in other regions that are perhaps a little further through the process (for example, Europe with the implementation of T2S), the changed operating requirements resulted in a number of firms deciding to connect directly to the market as opposed to through a service provider, as before. Alternatively, when coupled with the regulatory capital change, the result can be firms who are currently on account operator-type solutions move to third-party clearing models instead to benefit from the reduced capital requirements and outsource a level of the regulatory obligation to a specialised provider, which can potentially reduce the internal costs associated with monitoring.

**What opportunities will the new methods of trading and clearing securities present?**

Technology is an enabler for change, and ultimately each market is looking to offer new solutions or services to enhance efficiency, reduce risks, or free up liquidity etc.

Savvy participants, will seize the benefits of these enhancements and, like BNP Paribas, offer clients additional data analytical services and/or more efficient connectivity with the market infrastructure.

**Although the enhancements present opportunity for the region, what challenges should industry participants be aware of?**

The challenge of correctly designing and implementing new ways to connect to the market should not be underestimated.

Historically, markets in the region have used proprietary connectivity solutions which are incompatible with global standards. The enhancements on the table today will follow global standard formats, delivered real-time, providing scalability and efficiency and a level of detail not available to participants previously.

When it comes to the shortening of settlement cycles, one critical element to note is that the first settlement date of the T+2 cycle is also the last settlement date of the T+3 cycle. This means that certain organisations can see a large increase in their liquidity requirements for one day and so this needs to be factored into their operational and treasury solutions.

**How do these new enhancements place the region in terms of competitiveness?**

The two main drivers for these market enhancements are either to defend current market share, or remain relevant and grow market.

The region remains fragmented and highly competitive, therefore unlike Europe where the common market setup means that new solutions like T2S benefit the region as a whole, in Asia Pacific there is no overall benefit to the region of individual market enhancements.

It is possible, however, that these enhancements will drive greater realignment of existing activity between the regional centres.

An interesting trend is the growing collaboration between different market providers who are increasingly sharing information about their journeys.

It is clear that markets in both Europe and the US have embraced digital change and the pace will undoubtedly continue; therefore, to remain competitive and potentially shift the power base, the likes of China, Hong Kong, Japan, Australia and Singapore are compelled to invest in innovative enhancements.

It is an exciting time for the Asia Pacific region and it will be interesting to see the overall structure in three to five years time to see who the winners of this enhancement phase are. AST

> *It is an exciting time for the Asia Pacific region and it will be interesting to see the overall structure in three to five years time to see who the winners of this enhancement phase are*

**Gary O'Brien**, regional head of custody product, Asia Pacific, BNP Paribas

# All change for sub-custodians

## With T2S shaking up the asset servicing market across Europe, Thomas Cullinan and Lloyd Nicholls of IHS Markit discuss the changing landscape

Over the last two years, 22 central securities depositories in 20 markets have migrated to TARGET2-Securities (T2S). Like it or not, the platform, which aims to end fragmentation and lower the cost of cross-border settlements in Europe, is here to stay. The consensus in the industry is that only those players who have significant scale will connect directly to T2S and become directly connected participants (DCPs). A number of global custodians and international central securities depositories are doing just that. Their vision is to offer a single connectivity point to all T2S markets, enabling them to rationalise their existing network costs over the long term.

To achieve this vision, however, such institutions must determine how to manage their asset servicing in order to offer a full service custody solution across all T2S markets from a single access point. The traditional asset servicing model across Europe has always assumed that the local sub-custodian holds the positions locally and existing technology platforms have evolved to support this model.

Since DCPs settle all transactions centrally, in the new T2S world, they now have to copy transactions to the local asset servicing partners operating in each local market, thereby creating virtual position balances. For the sub-custodians who wish to act as local

*The key roles of the asset servicer remain the tracking of corporate action activity and notifying the DCP of these events*

**Thomas Cullinan**, co-director of information mosaic client solutions, IHS Markit

partners to DCPs, this new asset servicing model requires both operational and technology changes.

In this model, the sub-custodian operates as a slave to the DCP in asset servicing mode and the 'normal' business process is turned on its head whereby the client of the asset servicer is now the master of the positions recorded at the local sub-custodian. The key roles of the asset servicer remain the tracking of corporate action activity and notifying the DCP of these events. This still involves the receipt and processing of corporate action messaging from the central securities depositories (CSDs) and the processing of elections, but this is typically on the settled balance only. The asset servicer must therefore also identify market claims and transformations on pending trades.

Once identified, these have to be advised to the DCP in order for them to be instructed as trades to settle in T2S under normal settlement processing routines and not within the normal corporate action messaging set. This includes cash dividends settling as payment free of delivery (PFOD) within T2S.

Whilst the asset servicer is the provider of the corporate action event details and the claims/transformation information, they have no real stock or cash positions in their accounts and can only update the replicated positions (even if they are directly created from corporate actions) until confirmed by the DMP as settled.

In order to act as a local partner to DCPs for asset servicing under T2S and to undertake their traditional sub-custody function, European sub-custodians need a custody technology platform that is capable of operating in two distinct processing modes simultaneously: one to support the traditional sub-custody model where they hold positions locally; and the other to support the provision of asset servicing to DCPs where they do not hold the positions or transactions in the local market.

In many cases, this involves the sub-custodian upgrading its post-trade technology infrastructure to service the two distinct client types and service levels.

There's no question that T2S is shaking up the asset servicing market across Europe. As DCPs look to mature their T2S offering, they will continue to seek sub-custodians who can offer superior technology coupled with local expertise to manage their local asset servicing capabilities. This new model presents operational and technology challenges for sub-custodians, but also revenue opportunities.

Those sub-custodians who are first-movers in making the necessary upgrades to their post-trade technology infrastructure will be best positioned to take a share of the available revenue stream and carve out an important role for themselves in today's post T2S market. AST

*This new model presents operational and technology challenges for sub-custodians, but also revenue opportunities*

**Lloyd Nicholls**, co-director of information mosaic client solutions, IHS Markit

# Collateral convergence

**Jenny Nilsson of triResolve reflects on how market participants have evolved to meet their regulatory obligations and how operational excellence is quick and easy to achieve with triResolve Margin**

*Jenna Lomax reports*

Since the introduction of the uncleared margin rules in September 2016, collateral management has been thrust into the regulatory spotlight and become a hot topic for firms with over-the-counter (OTC) derivatives portfolios. While regulation has certainly changed the way firms view and manage their collateral management obligations, challenges persist. Deadlines, while essential to achieve change, often cause firms to make hasty decisions in a bid to become quickly compliant. As is often the case, for many market participants no (or limited) extra resources were provided to help them meet their uncleared margin obligations. As a result, many firms overlooked the opportunity that the regulation presented to review their existing processes and consider the use of new technologies to optimise their margin workflows.

Fast-forward 18 months, and those that did opt to overhaul their traditional margin processes are reaping many operational benefits and experiencing new levels of automation. With no pressure of an impending deadline, those stuck using manual, fragmented processes should take the time to reevaluate their approach and ensure their collateral management workflows are both cost and operationally efficient.

## Typically manual and fragmented process

No matter how operationally efficient the market participant, inefficiency persists in a fragmented process. Collateral management by default comprises many different parts, which traditionally relied on multiple tools ranging from excel spreadsheets to email to installed software. The calculation and issuance of margin calls alone is dependent on the collation of data from multiple sources and communication via email, and in some cases even fax. Tedious and insecure, this approach typically requires users to send each margin call individually. Calls may be slow to calculate, slow to send and require many manual touch points; vastly increasing the risk of user error. Although upfront costs are minimal, it's highly probable that firms may experience incomplete margin calls and failed payments, plus the increased operational costs required to rectify errors and unsecured exposures.

There are then interdependencies to consider. Operationally efficient firms remain dependent on the efficiency and timeliness of their counterparty. Margin call response times vary, and even the best relationships incur delays and require frequent chasing. Even if outgoing margin calls are issued first thing in the morning, receiving incoming calls, or replies to your own calls, may take place over the course of the entire day—and often only after manual follow-ups. To meet their obligations, a user is somewhat beholden to checking their email throughout the day. This is one of the core problems with a manual margin call process. Delays to an outgoing margin call, or receipt of a late incoming call can have knock-on impacts on collateral funding decisions, adding further unwanted complexity and costs. These are just a few of the many issues that firms with manual processes will be facing. Too much time is spent on the operational process and not enough focus is given to higher priority tasks demanded by regulators, such as timely dispute resolution.

## Case study: Major asset manager

**Discover why a major asset manager adopted triResolve Margin to streamline their collateral process.**

**Client type:** Major international asset manager with assets in excess of $350 billion.

**Existing collateral support:** In-house spreadsheet based solution for calculation of margin. Emails for exchange of margin calls and triResolve for dispute resolution.

**Collateral profile:** In-scope for variation margin requirements. Trading OTC derivatives in all major markets across several hundred funds, with several thousand collateral agreements.

**Problem:** The company's internal tools provided limited collateral management capability. This created daily challenges to manage data feeds from multiple trade and market systems, and data quality issues were frequent. The process was time consuming and required a high-level of user input and diligence. As a result, the organisation had an overreliance on counterparty calculated margin amounts and reporting, and felt they were not fulfilling their own risk management objectives. They needed to update their processes. However, faced with a significant increase in collateral agreements due to the uncleared margin rules, any new solution needed to be fast to implement, scalable and facilitate straight-through processing (STP).

**Solution:** Following an request for proposal process, triResolve Margin was selected as the solution that best suited their needs. Not only was it deemed to meet all functional requirements, it fitted with the company strategy of adopting web-based solutions.

Key stakeholders identified a number of key advantages in triResolve Margin. The main drivers included its ability to proactively support the un-cleared margin rules, rather than being a retro-fitted product, and unlike other offerings, it provided a seamless way to manage margin call disputes. It also offered out of the box access to AcadiaSoft's MarginSphere messaging service, which in turn would enable automated connectivity to their broker counterparties. Due to the large volume of collateral agreements, onboarding was phased by a combination of fund and broker. The first phase, in excess of 600 collateral agreements, was live within two weeks. The entire onboarding process was managed by the triResolve service management team who took responsibility for the key tasks of collateral agreement set-up and counterparty connectivity and approval in MarginSphere.

Subsequent phases delivered automated margin connectivity for all funds and corresponding dealers, which equated to several thousand collateral agreements. In a matter of weeks, they were able to decommission their old manual processes and achieve unprecedented levels of STP.

### Bringing down the communication barrier

The first step in streamlining margin workflows came with the launch of MarginSphere, an electronic margin messaging service created by AcadiaSoft. The service introduced new levels of efficiency for margin communications. Developed with the support of major firms, MarginSphere allows users to replace their traditional email message exchange with instant margin message.

This provides not only time savings, but a more secure message transfer and improved transparency in the margin call lifecycle.

### Reinventing the collateral management process

Electronic messaging on its own cannot completely streamline the margin process. For firms to achieve real transformative change they need to adopt a solution that considers the entire margin workflow; including margin call calculation and validation, messaging with counterparties, call issuance/reply, booking of collateral, pledge acceptance and settlement instruction.

TriResolve Margin, an extension of triResolve Portfolio Reconciliation, is best placed to provide the market with the operational efficiency it so desperately needs. triResolve Portfolio Reconciliation has over 2,100 groups working together to regularly reconcile 85 percent of all collateralised OTC derivatives and corresponding collateral balances. If a market participant needs to verify the trade information underlying a margin call and resolve disputes, they use triResolve.

By leveraging triResolve Portfolio Reconciliation, triResolve Margin is unique in its ability to automate the collateral management process. Firms simply select their auto-rules, and triResolve Margin provides the required level of STP, highlighting any exceptions. By removing manual processes, collateral managers can focus on reducing counterparty credit risk and more accurate collateralisation—delivering peace of mind that their firm is protected from counterparty defaults.

### Controlled automation

Although automation is this year's buzz word, technology should not force firms to choose between manual or automated processes. Instead, clients should be given the flexibility to choose a workflow which helps them confidently fulfil their regulatory and operational objectives. Some firms see value in continuing to perform manual tasks, but the right technology should enable them to eliminate cumbersome repetitive tasks which are better suited to automation. In the instance of collateral management, automation can help firms to move away from manual processing and focus their efforts on higher value activities that help reduce risk.

TriResolve Margin can fully automate the collateral process, without requiring a complex retro-fit to suit a firm's existing processes. Users simply select from a suite of predetermined auto-rules and automate the areas that best suit them in seconds. There is the option to implement a completely automated end-to-end workflow, or to configure each collateral agreement differently. Thus, allowing the client to select the exact level of automation with which they are comfortable.

### A collaborative approach

At triResolve Margin, we recognise that for some clients, complete automation of the margin call workflow can be daunting. To deliver peace of mind, we typically onboard clients by mirroring their traditional setup and when they are comfortable with the system, work with them to introduce automation.

We often review the margin activity of our clients versus their dealer counterparts over a period of several weeks. In doing so, we can identify trends and implement the most effective workflow solutions to suit all parties. Client managers with vast industry experience advise on the implementation of auto-rules, including:

- Auto-send outgoing margin call
- Auto-agree incoming margin call
- Auto-dispute incoming margin call
- Auto-pledge collateral for incoming margin call
- Auto-accept proposed collateral from counterparty

TriResolve Margin can deliver complete STP, or facilitate a hybrid approach whereby some workflow steps such as the margin call agreement remain in the hands of the user.

Regardless of the approach, triResolve Margin consistently highlights the exceptions and provides the analytics and dispute resolution tools required to quickly resolve discrepancies. This collaborative method allows firms to move towards an automated process in a phased approach, and allows triResolve Margin to evolve with clients circumstances to deliver continued benefit.

We are not simply a software, and users have the support of dedicated client managers 24/5.

### In the spotlight: efficiency by numbers

triResolve Margin has over 110 clients globally, including 40 plus buy-side firms. Using auto-rules, a large asset manager recently achieved the following results in their first two weeks:

- 83 percent of margin calls being sent automatically
- 71 percent of collateral proposed by their counterparty was automatically verified and accepted
- Under 60 seconds to complete outgoing margin calls (including delivery of margin call, agreement and collateral pledge by counterparty, and final acceptance/verification of proposed collateral)
- 73 percent of margin activity was automated across outgoing/ incoming calls

The asset manager is expected to soon fully utilise triResolve Margin's auto-rules, enabling them to automatically issue all margin calls before 7am.

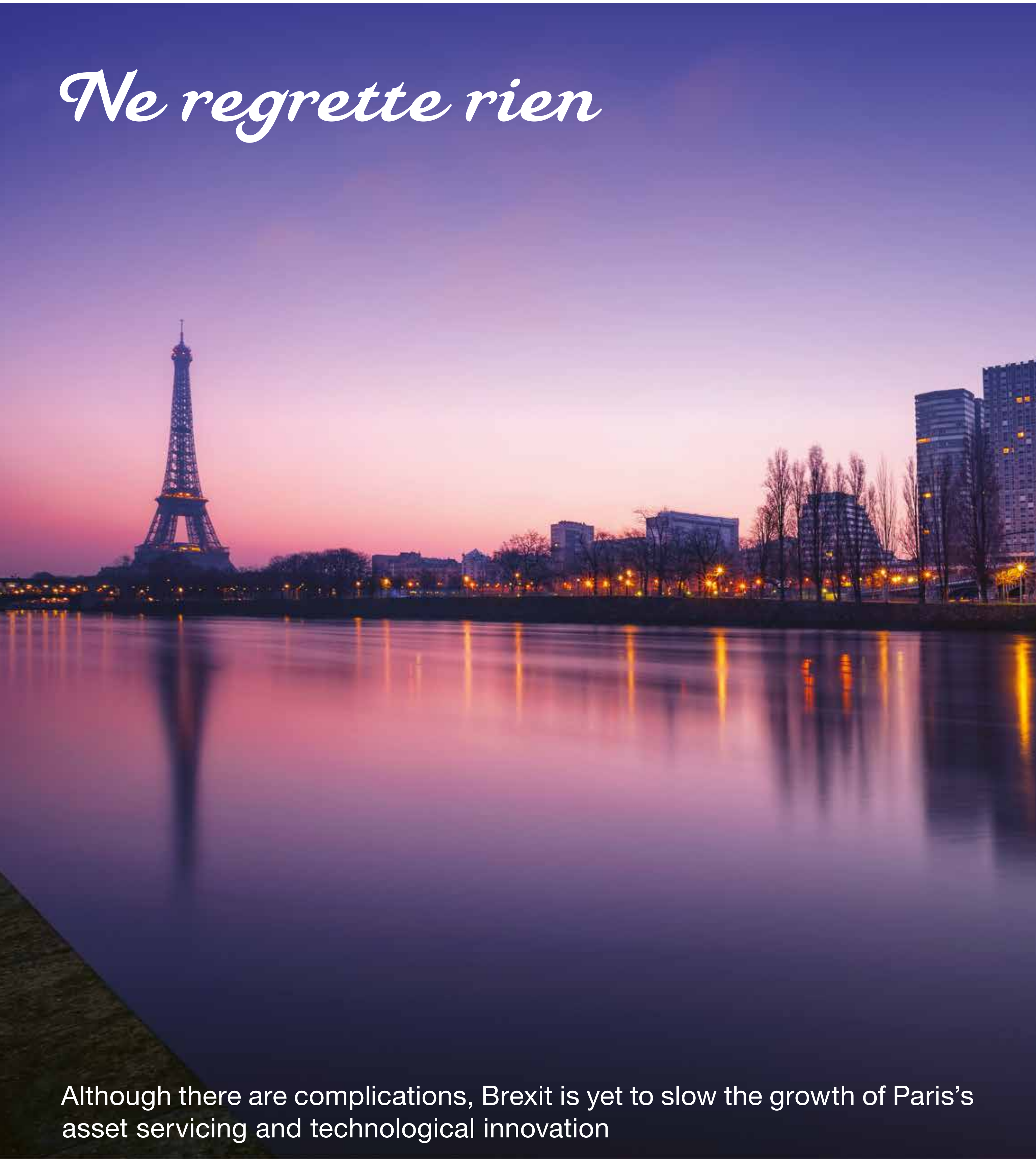
### Bringing it all together

For many firms, the uncleared margin regulation has been a positive driver for operational change. Those that are trying to tailor legacy processes to meet their regulatory obligations are missing a huge opportunity to streamline their collateral management workflow. With triResolve and triResolve Margin, firms can focus their attention on managing counterparty credit risk and ensure regulatory compliance by automating the process and highlighting the exceptions in one place, on one platform.

We know the regulations, we understand the risks and we know how to manage them—quickly, simply and efficiently. AST

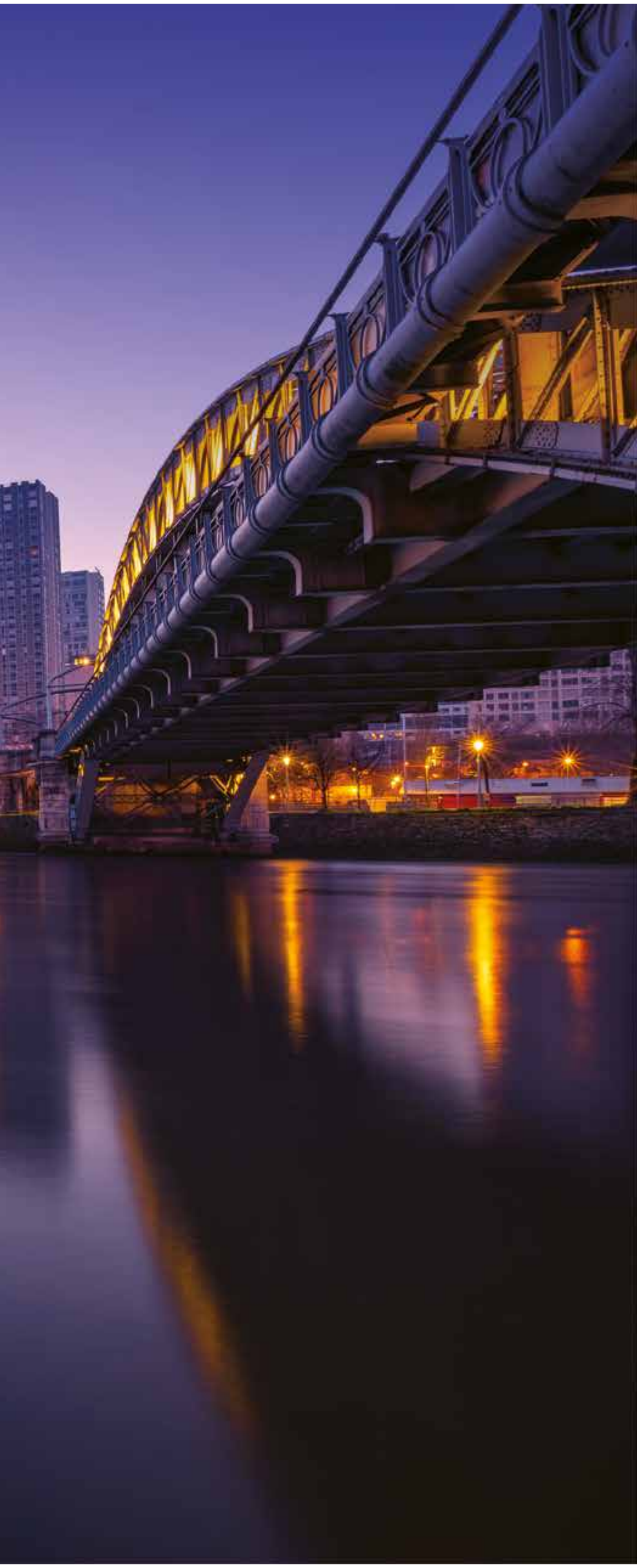
*TriResolve Margin can deliver complete STP, or facilitate a hybrid approach whereby some workflow steps such as the margin call agreement remain in the hands of the user*

**Jenny Nilsson**, head of product marketing at triResolve



# Ne regrette rien

Although there are complications, Brexit is yet to slow the growth of Paris's asset servicing and technological innovation



*Jenna Lomax reports*

France, a heavyweight in Europe, stands shoulder to shoulder with the UK and Germany in terms of the growing physical presence of asset administration and asset custody, but what challenges does it face in keeping that momentum?

Even though French asset servicing in France stands tall with the help of TARGET2-Securities (T2S) and the rapid success of blockchain technology, could it lose its European podium place?

In the midst of the Macron's revision of the Financial Transaction Tax (FTT), through the thick fog-like uncertainty of Brexit and the challenges Brexit could pose for the Capital Markets Union (CMU), it would seem like a challenging time for France's financial industry, being one of Europe's staunchest financial powers.

Back in March last year, Clearstream warned the industry that Brexit posed a threat to the harmonisation effect of CMU—nerves seemed frayed.

But, France stands strong, with firms such as AxiomSL expanding its European presence to Paris, while SGSS and OFI Asset Management completed their first transactions in Paris using blockchain last year.

Paris could in fact inadvertently benefit from Brexit—capitalising headquarters in Paris, with The European Securities and Markets Authority (ESMA) already having its headquarters there.

In addition, The European Commission is to hand the ESMA more power in order to improve the effectiveness of the CMU.

## La technologie

As mentioned, last year saw SGSS and OFI Asset Management complete their first transaction on Paris' market using blockchain, while RT1 seems to be on the rise. RT1, which is an infrastructure solution for the processing of instant single euro payments area (SEPA) credit transfers at a pan-European level, was launched in November last year by EBA Clearing.

According to SSGS, the trial showed the efficient integration of new technologies within the securities services business units showing that distributed ledger technology (DLT) will improve identification of holders and reduce the associated operational workload for those making trades.

As well as this, multiple European banks, from countries such as the Netherlands, Spain, Austria and Italy, lined up for the instant payments launch in Paris-based, EBA Clearing.

Hays Littlejohn, CEO of EBA Clearing, predicted that "by the end of 2018, the participants in the system should represent 80 percent of our current STEP2 SEPA Credit Transfer (SCT) volumes", which he said “gives a good indication of the considerable reach we expect RT1 to build up within the next 12 months”.

And to give Paris’s asset servicing sphere even more acclamation, The European Central Bank (ECB) has approved the combining of the real-time gross settlement system TARGET2 and the pan-European securities settlement platform T2S.

This is in a bid to increase the efficiency of its value payments, which according to ECB, will modernise existing systems and increase overall efficiency all across Europe, including the improvement of liquidity management procedures.

The Eurosystem Collateral Management System (ECMS) will replace the existing systems of the 19 national central banks for those functions that can be harmonised until its launch, which is expected in November 2022, with the Banque de France acting as one of the service providers for the projects.

The ECB has also tipped T2S to be the pillar of the CMU, after it was finally made operational in September of last year.

As Loanne Benigni, head of investor services relationship management and sales for France at J.P. Morgan, indicates: “The main objective of the CMU is to strengthen investments for the long term, provide new sources of funding for business, help increase options for savers and make the economy more resilient. Servicing the smaller companies and the startups assets will lead to innovations, new infrastructures and this may accelerate the transformation of the asset servicing industry in Europe.”

Back in 2015, Mario Draghi, president of the ECB, said greater integration in capital markets could make the European Union more effective in dealing with economic shocks, while also allowing more access to varied funding options.

Citing greater risk-sharing and diverse-funding sources as the two pillars of the CMU, Draghi said T2S will act as the foundation for establishment, as it will facilitate cross-border bonds and equity trading.

Also weighing in, Edouard Berthet, head of treasury, forex and money market operations at BNP Paribas Securities Services Paris, explains: “This consolidation project will bring efficiency in the way liquidity is globally managed within the eurosystem post-market infrastructure.”

## The FTT? We’ll have to see...

The French president Emmanuel Macron wants to put the FTT back on the European agenda.

FTT requires taxes to be collected for regular cash market transactions in France and Italy and is charged only on the specific transactions that are designated as taxable.Back in 2014, asset managers, pension funds, banks and insurers expected to spend more on tax and regulations in 2015 as well as the following years, according to a poll by BNY Mellon at its annual Tax and Regulatory Forum.

Given that most clearing firms and instant payment systems transact, on average, thousands of transactions a day, asset servicing could be affected, but not on the same level as asset management, or securities lending.

Nonetheless, in January this year, the rate of interest increased from 0.2 percent interest to the rate of 0.3 percent, the question is could it go further in the future?

Recently, a panellist at the Association of the Luxembourg Fund Industry (ALFI) European Asset Management Conference said: “The FTT issue needs to be resolved.”

However, Benigni suggested that the FTT will bring more harmonisation.

She says: “Harmonisation usually is positive for asset servicing and helps reduce cost.” But will this harmonisation be possible in the midst of Brexit?

## La grande question of ESMA and Brexit

At this year’s European Asset Management ALFI Conference, a panel, which discussed the European regulatory landscape, interviewed representatives from ESMA and the European Fund and Asset Management Association (EFAMA).

The panel discussed the implications of Brexit and how ESMA, which has its powerhouse in Paris, will be getting ready for the UK’s departure from the EU in March 2019.

During the discussion, the ESMA representative said: “We will do everything we can to get a memorandum of understanding in place with the UK.”

Despite this, ESMA and EFAMA representatives agreed that “one year is not much time”, alluding to the time left between now and March 2019 for such negotiations.

Strained political relations in the EU has also put the harmonisation efforts of Europe’s financial markets, such as the T2S settlement platform, under “severe stress”, according to a statement from Clearstream released in March, last year. In a note to clients, the Deutsche Börse subsidiary said: “Nationalistic tendencies as well as the looming Brexit are subjecting the CMU project to severe stress. Against the current political backdrop, it is key for policy makers and stakeholders to focus on the execution of capital markets union objectives.”

Although there are complications, it is clear to see that Brexit is yet to slow the growth of Paris’s asset servicing, technological innovation and ESMA’s guidance and authority across the continent. AST

# A relationship built on trust

## Pat Sharman of KAS Bank suggests that transparency is a key initiative to prevent the public from questioning the integrity of the financial services sector

*Jenna Lomax reports*

**How have other roles in your career prepared you for this role as managing director of KAS Bank?**

Before joining KAS Bank, I spent just under 30 years at HSBC working in the securities services sector. For approximately 20 years of my time at HSBC I looked after pension funds, and for the last 10 years at HSBC, I was responsible for its pension fund business in the Securities Services business in Europe. By this point, I knew the sector extremely well.

I was also a trustee at HSBC, which gave me the insight on the other side of the fence. I heard people in the industry discuss how challenging being a trustee could be and it made me respect what trustees do, which has helped me understand our clients and their challenges. Coming to KAS Bank, I like to think that I've got a greater understanding of what we can do to try and help the trustees.

KAS Bank focuses solely on pension funds in the UK, we do have some non-pension fund clients and we will continue to look after them, but our main focus is for the future growth of the institutional pension industry.

KAS Bank is not only a specialist securities services provider, but also a specialist in pension funds. I wasn't going to get that opportunity anywhere else.

**KAS Bank launched its cost transparency dashboard for defined-benefit pension schemes last year. How does this address cost reporting for schemes?**

There are some great initiatives driving greater transparency of costs for UK pension funds. For example, the Local Government Pension Scheme (LGPS) transparency code and the Department for Work and Pensions announcement on changing the cost disclosure rules for defined contribution (DC) workplace pension schemes. In addition, the Institutional Disclosure Working Group (IDWG), which is the disclosure group that the Financial Conduct Authority (FCA) have formed to look at standardising the template for collection of costs for asset managers.

In 2015, it became a regulatory requirement for pension funds in the Netherlands to report all of their costs from asset managers—we think this is integral to demonstrating good governance and informs future investment decisions. This way, all Dutch pension funds have to report their costs to the regulator on an annual basis.

Having identified a gap in the UK pension sector, KAS Bank took the framework and changed the cost collection template slightly to suit the UK market. There are two top level components to the costs, firstly the investment costs, which is mostly derived from the investment managers, and secondly, pension management costs (administration, staff), which are collected via two templates. Typically, pension funds will complete the pension management fund fees as they are fully aware of those costs, but the investment manager costs are slightly more difficult for a trustee to complete themselves so usually, a template is sent to each of the asset managers.

KAS Bank's cost transparency dashboard is simple to navigate, easy to understand and the data presented in a clear way, for trustees to use and refer for more informed decision making.

I think we can be harsh on trustees, given the range of subjects they have to cover, so KAS Bank wanted to make it as easy as possible to present a complex subject in simple terms, enabling them with a clear understanding of total cost of ownership. From there, KAS Bank can drill down into these costs as far as they want to go, allowing trustees to fully understand their costs as well as to compare themselves with other schemes. You do have to take every scheme into context. A lot of these costs haven't been reported before, because the industry did not demand it. Everyone demands everything at the push of a button in our everyday lives, and that's why everyone suggests the industry is hiding costs, when in fact for the majority, it's just a case of providing a framework to presenting those costs clearly, which can take some time.

At KAS Bank, we are currently focusing on what the trustees need and hopefully we can get to a point where we can start delivering some of the data to members, as, at the moment, for the most part, pensions are too confusing for members to fully understand so we need to manage this carefully.

**KAS Bank planned to create a financial technology innovation division, aimed at transforming the governance technologies available to UK pension schemes. Are there any updates on this?**

The dashboard is just the beginning, KAS Bank have big plans to expand our offering and expertise within the fintech space.

We've built an innovation lab in Amsterdam, and we have a resident financial technology team in our lab, to provide us with expert support. and help us with building and delivering innovative services for the UK pensions industry.

However, the real issue for KAS Bank (and all other providers), is collecting the actual data. Those data templates are currently Excel spreadsheets. At the moment we're working with a number of financial technology companies in which we're looking to build a solution that will automate the collection of the data.

In addition, the bank is looking at some solutions in robotics, artificial intelligence and machine learning. We want it to become an efficient and accurate process, to get that information to trustees, more frequently and accurately, in any shape they want.

**What challenges will KAS Bank and the pension sector face in 2018?**

Governance standards is one of the biggest issues to tackle. The spotlight is currently on trustees, which in some cases is fair, but we need to be very careful about what we do in respect of changing trustee boards. Ensuring you have a board of trustees that between them are knowledgeable and who can understand and engage with the membership is key. If you don't have that person on the board that talks the member language, then you're going to face a bigger challenge. We need to have a good framework in place for trustees to ensure they are educated, supported with clear guidance and structure.

Another key challenge to the industry is establishing long-term trust. Given the failure of some high-profile cases recently, it's fair to say more needs to be done by the industry to prevent the public from questioning the integrity of the sector. Transparency is one key initiative to solving that trust issue.

At KAS Bank, it's about trustees, and in my mind, we need to get that data to the members, but in a way that they can understand and is useful. Let's not blind them with the inner workings behind this process but instead empower them to feel confident when presenting this to boards and ultimately their members.

**Will the General Data Protection Regulation (GDPR) regulation affect KAS Bank at all? If so, how?**

First, to confirm we are a data controller and not a data processor.

There are two key areas that we must look at, which are how we hold and manage employee personal data and client personal data. We hold a significant amount of client personal data to ensure that we meet our legal and know-your-customer (KYC) obligations as a bank.

We have put together a project team to assess the implications and how this impacts us as an organisation.

Our project team is in Amsterdam, supported by the local compliance officers in the UK and Germany. They are all working closely and they keep me informed regularly as to how it's progressing.

**Recently regulation has played a major role in shaking up the industry, are there any other challenges ahead for KAS Bank?**

The big one is Brexit. What makes Brexit so challenging is the ongoing uncertainty in terms of outcome and fall out from this. Any project that doesn't have a definite outcome will be tricky to navigate for anyone.

Here in the UK we're regulated with the Prudential Regulation Authority and FCA, they've been very supportive and helpful, but they're in a similar position to us in that there is uncertainty in respect of the outcome.

To that effect, we are preparing for all potential developments. KAS Bank are well positioned and well informed and we have legal support keeping very close to regulators. We have regular dialogue with them, so whether we should start undertaking new kinds of authorisation processes, including third-country access, we have all aspects covered.

It's difficult to know what to expect, but KAS Bank is prepared and completely committed. There will be no change to the way we do business here in the UK. AST

*In my mind, we need to get that data to the members, but in a way that they can understand and is useful. Let's not blind them with the inner workings behind this process*

**Pat Sharman**, UK managing director, KAS Bank

# A Change in Dynamics

## Denise Voss of ALFI explains that continuing its partnership with the UK post-Brexit is important, and although Luxembourg's fund industry is in good shape, there are a lot of changing dynamics to deal with

*Becky Butcher reports*

**How is Luxembourg faring in the current geopolitical climate?**

I think it's faring well; we're one of the few countries with an 'AAA' rating. We just had that reconfirmed, and that reflects the social, economic and political stability in Luxembourg, which is one of the selling points I would say and one of the reasons why people are keen to set up here. Obviously, with Brexit and the UK leaving the EU, that changes the dynamics of the EU. How exactly? Well, we don't know yet—we will see. But clearly within the EU, with the UK, one of the largest member states, no longer being there, that means we lose a natural supporter of free trade and of course financial services, which is also very important to Luxembourg.

Luxembourg has a long-standing relationship with the UK in many ways, but in the fund industry, about 17 percent of assets under management in Luxembourg are managed by UK asset managers. So continuing that partnership will be important to Luxembourg. We will have to work within the limits of the relationship negotiated by the EU and the UK, so I'd say from a stability point of view, Luxembourg is in good shape, but there are a lot of changing dynamics we need to deal with.

**What would be the best outcome post-Brexit for Luxembourg?**

The best outcome would be that we are allowed to continue to delegate asset management to UK asset managers, in the same context, with the same rules that we use today. Given the European Commission's proposal on the European Supervisory Authorities' (ESA) powers, we've moved beyond speaking about delegation to the UK to speaking about delegation to all non-EU countries. For most of us in the fund industry, it was surprising to hear the commission's proposal, which is inspired by Brexit but goes far beyond Brexit.

The best case scenario for the European fund industry would be being allowed to work closely with the UK and to continue to delegate to experts in non-EU countries with no additional requirements.

**What opportunities will 2018 bring for the Luxembourg fund industry?**

One large focus is distribution and one of ALFI's missions is to continue to open distribution markets around the world; we currently have investors registered in over 70 countries who hold a Luxembourg UCITS investment fund. Back in 2017, we opened up in Australia, as well as Thailand and Vietnam. In Thailand, for example, allowed local feeder funds were set up to invest in UCITS, but now that the Thai authorities have understood and accepted the UCITS framework they now allow foreign funds including UCITS to be set up directly for distribution in Thailand. Interestingly, once countries are opened up to UCITS it doesn't mean that distribution of UCITS necessarily happens right away, as there is a lot of education and explanation as to how it all works. So it doesn't mean we open up a market and move onto the next one as there is quite a bit of work to follow up. I'd say the other main distribution areas we are looking at in 2018 relate to Latin America. Many Latin American pension funds hold UCITS—Chile is the most known example—and we've been working with the Brazilian pension fund regulator to explain the UCITS framework. Brazilian pension funds can invest 10 percent outside of Brazil, but the mechanism to do so has been effectively impractical, however, fortunately, regulation has recently been introduced to allow it to be practical. With Brazil, with their population of over 200 million, it's not a small opportunity for the fund industry, regarding the need for pensions.

The other market that is just as potentially interesting for the fund industry is Mexico. Again, we've been talking to the Mexican pension regulator for some years, and we hope that in 2018, that the legislation will be adapted to facilitate investment by Mexican pension funds into foreign funds, including UCITS.

**Do you believe Luxembourg will benefit from the UK's departure from the EU?**

From a UCITS perspective many UK asset managers, as well as non-EU-asset managers who currently use the UK to access Europe, many of those asset managers already set up their UCITS funds destined for cross-border distribution in Luxembourg or Ireland.

So while some asset managers have had to set up UCITS and UCITS management companies on the Continent to prepare for Brexit, for many asset managers, it's about increasing their existing footprint in Luxembourg or Ireland. These asset managers are adding substance to their management companies or are adding, for instance, a license to their existing business in Luxembourg to manage portfolios, looking forward to the future to manage separate account mandates, for example, that may not be able to be managed outside the UK, post-Brexit. From the alternative investment funds side, there are many more British asset managers who set up their alternative investment funds in the UK, so if they are to continue managing EU mandates post-Brexit, they will have to decide as to where on the continent they base themselves.

### What regulations are causing the biggest challenge for the fund industry in Luxembourg?

The second Markets in Financial Instruments Directive (MiFID II) and Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs) were big regulations implemented at the beginning of January 2018. However, there is a lot of work still to be implemented, regarding automating some of the processes to make them more efficient, so that will take some additional time and money. Then we've got the General Data Protection Regulation (GDPR), which is the next big deadline in May, and the stakes are quite high if we get it wrong, regarding the sanctions. And then the big one is the commission proposal on the ESA powers, which as I mentioned earlier is a big one for the European fund industry.

### How will that affect Luxembourg?

The EU Commission's proposal on the ESA powers covers more than just the asset management industry; for example, its scope is also banking and insurance. Relating to the asset management history the most important element is the discussion about delegation and the proposed extra layer of review for the delegation that is outsourced to all non-EU countries. That extra layer would mean additional costs and additional time to get funds to market, and for what reason? There has been no demonstration of problems with the delegation in the fund industry, and the UCITS and Alternative Investment Fund Managers Directive (AIFMD) regulations allow for delegation with the requirement, of course, that delegated activities must be overseen. The delegation and oversight processes have been in place since the beginning of UCITS, 30 years ago, so we've been operating on that basis for a long time. So again, it's not like there is any regulatory gap that needs to be filled. This proposal is a key concern for the fund industry, for Luxembourg of course, given it is the largest fund centre in Europe, but also for entire European fund industry.

### What else is happening this year?

A continuing theme is demographics, including the ageing of the population and the need for individuals to take more responsibilities for their financial well-being including retirement. This is an opportunity for the fund industry in general, but we've got initiatives like the Pan-European Personal Pension Product (PEPP). While there are some challenges around that, I believe there is a will by the European Commission and the European Parliament to make the PEPP happen given we need as much as possible to help people save for their financial well being. It's also a great opportunity for the fund industry because we are hoping that UCITS could be considered PEPPs. The PEPP is part of Europe's Capital Markets Union (CMU) initiative. CMU is one of the reasons we have a problem with the EU Commission's proposals on the ESA powers. We believe the element relating to delegation could potentially shrink the investment management industry in Europe, which goes against the goals of CMU in terms of promoting additional non-bank sources of financing jobs and growth in Europe, for example, investment funds.

We also have things like the sustainable finance action plan that has recently been issued by the EU Commission, as well as the other action plan that the commission issued on financial technology. Technology and financial technology are challenges for the fund industry, but they are excellent opportunities to make our businesses more efficient and effective, thinking about the younger generations, who are going to want to invest through mobile phones and other platforms as opposed to the more traditional ways. That is quite exciting but also challenging. We'd love to have a lot more time to deal with these new challenges, but we spend a lot of time and money on regulation, which unfortunately never seem to end. AST

*Technology and financial technology are challenges for the fund industry, but they are excellent opportunities to make our businesses more efficient and effective*

**Denise Voss**, chair of the Association of the Luxembourg Fund Industry

# The heart of the operation

## Industry players explain why a standardised approach to managing reference data is important

*Becky Butcher reports*

Data is a strategic asset for financial services companies and banks. With the introduction of big regulations to the financial services industry this year, reference data is now even more important as firms must be able to quickly process customer requests, identify holdings and positions, assess and adjust risk levels, maximise operational efficiency, and control and optimise capital—all while remaining compliant with regulatory requirements. Because of this the data management industry is looking to standardise, add reliability and gain efficiencies in the way it manages data.

Financial institutions rely on reference data to drive enterprise applications from trading, settlement, accounting and reporting.

Tim Lind, managing director of DTCC Data Services, explains: “Reference data standards are critical to enable disparate enterprise applications to commonly identify transactions and entities through the lifecycle of events that occur in the investment process.”

Reference data can include commercially available data, such as security static data, prices, corporate actions, as well as proprietary data, such as structure.

According to Yann Bloch, vice president of product management at NeoXam, reference data is important in any industry, but in asset servicing, reference data is really at the heart of operations.

Bloch says: “We are not talking about a ‘big data’ approach here. What matters is precision, audit and traceability, because asset servicers are accountable for the data that they use.” He explains that putting in place correct data governance is a “crucial step” with data ownership and stewardship roles, as well as quality management. For firms to be able to implement such a programme, it needs to have the right tools in place. Bloch suggests an organisation should have an enterprise data management system, where such policies can be implemented.

The implementation of MiFID II in January turned the spotlight onto reference data. As part of the reporting process under the directive, local regulators demand an increased level of transparency. Firms, who operate trading venues or systematic internalisers, are now required to report reference data for all instruments traded or admitted to trading on these venues.

Rob Kirby, senior product manager at SIX, explains that with regulations such as MiFID II and PRIIPs now in play, more information needs to be exchanged between market players in a completely new way.

According to Kirby, manufacturers of financial products need to think in detail about how they will distribute data and documents, and how they can receive sales information outside their target market.

He states: “For many, the temptation is to scramble for minimum viable compliance and do whatever it takes to keep the regulator happy. While this seems like a sensible option now, it’s unlikely to service future requirements and actually goes against the spirit of the regulations.”

In order to achieve sustainable long-term compliance, Kirby suggests that firms cannot afford to keep adding to the vast array of information, which is already housed across multiple systems, every time a new rule is enforced.

He adds: "After all, regardless of the rule in question, most of them require similar sets of data. Instead, industry participants need to clean up the siloed information scattered across the business and consolidate their approach."

The financial industry has to deal with data from numerous sources, including vendors, clients, partners as well as internally produced, so when it comes to simplifying the reference data management process, it depends on the maturity of each company's reference data management practice.

Bloch suggests that the process of bringing them all together (normalisation) into a common representation is one of the main challenges of reference data management.

He explains: "When choosing a reference data management tool, the capabilities surrounding normalisation into a common data model, ability to reconcile various sources and build a 'golden copy' should be thoroughly analysed."

According to Lind, some firms are more mature than others in their attempt to streamline and centralise the management of reference data across the enterprise. However, Lind suggests that industry standards play a "significant role".

He explains: "Much of the inefficiency of reference data management is the ongoing calibrations needed to "re-interpret" and/or "map" data across disparate systems both internally across an enterprise and externally between enterprises. Having standards that help industry participants bridge legacy taxonomies to standard taxonomies that only change at the margin will serve to simplify the process."

Also weighing in, Tom Stock, senior vice president of product management at GoldenSource, says: "The biggest favour that financial institutions can do themselves, to navigate the current compliance minefield, is to ensure that all their reference data is managed in one centralised repository."

According to Stock, the average firm has multiple different sources of data and this kind of disparity is "impossible to sustain post-MiFID II".

He adds: "Firms that don't want to get caught out have to be confident that they can answer any challenges from the regulator, so scrambling for data is simply not an option. You need to know where all the necessary information is, which is why a central source is so important."

Now MiFID II regulation has come into play, the financial services industry is going to be more accountable than ever to the regulator. Stock suggests that it is "vital" for firms to make sure they can show they have achieved best execution.

He says: "The biggest barrier to this is the disparate (and often multiple) systems, which can operate in isolation throughout an organisation and use inconsistent identifiers and classifications, causing confusion and breaking the smooth flow of trade and transparency reporting."

According to Stock, the centralisation of data ensures that all the necessary information is brought together and linked, so that "if the regulator comes knocking, you won't be left searching for answers".

The data industry has tried over the years to come up with various standards and interoperability initiatives to help the reference data management process by providing automated way to reconcile data.

However, with an expanding regulatory environment, asset servicers need to work with new types of data, which have not yet been commoditised in the same way as plain security reference data.

Bloch explains that for these new data domains, each company needs to come up with internal standards, and have the tools and methods in place to map these diverse source data to its standards.

He says: "Failing to do so will result in an exponential increase in manual processes and costs associated, not to speak about operational risk."

The implementation of standards create community between banks to converge on identifying better ways for systems to communicate, according to Lind.

He suggests: "It helps identify gaps in the data as new and more exotic financial instruments enter the market. In a world where trading margins are being put under pressure, reference data standards allow enterprise applications to integrate data more effectively for transaction processing and improve vital functions, such as the ability to aggregate risk and exposure."

Kirby also agrees that embracing a standardised, more scalable data service to enable firms to extract the reference and pricing information needed for each regulation is "an obvious next step".

The crossover between MiFID II and the recently implemented PRIIPs is a prime case in point, Kirby suggests. He says: "A lot of the data market participants are currently distributing for MiFID II is already reflected under PRIIPs."

According to Kirby, the natural solution is to look at the role for mutualised approaches to the challenge, through which key industry players can bring the required information together. He concluded: "This is why firms grappling with this regulatory onslaught should be challenging their data partners to provide exactly what they need right across the business, in the form they need it. After all, the age of ready-to-consume data has very much arrived, so there should be nothing stopping financial institutions from using it." AST

# Behavioural *analysis*

## The power of client data to drive revenue growth is being left untapped by financial services firms because they are failing to integrate their data sources, according to a white paper from DST Systems

The financial services sector has been historically slow to adopt new business models but, in the era of agile financial technology, it is an industry that is now following the likes of retail in digitising the consumer shopping experience.

Customers are finally being served up financial products online.

The question is: how can traditional banks, brokers, asset managers and insurers make the most of digital opportunities?

Many established brands are saddled with legacy IT systems and data silos that are incapable or, at best, have limited capacity to speak to each other. Even firms that have established efficient data structures often fail to fully exploit the cross- and up-selling potential of their customer data.

Add onerous compliance requirements which flow from new legislation, from the second Markets in Financial Instruments Directive to the General Data Protection Regulation, and it is little surprise that financial services firms are struggling to exploit opportunities to better understand customer activities and behaviours.

### Winning over millennials

Like it or not, these firms will soon need to improve their offerings or face being left behind. After all, we are seeing digital natives continuing to represent an ever-greater percentage of key customer segments and demanding a shift away from more traditional channels.

Our recently published white paper, Embracing Client Behavioural Analysis for Improved Business Outcomes in Asset and Wealth Management, explored this issue with respondents in the UK asset management community.

It found that these firms were collecting client data in some capacity—which allowed them to engage more meaningfully with clients, however, only half of the firms surveyed had systems and processes in place to leverage that data.

Two-thirds of people who responded to the survey predicted that revenues would be boosted by as much as 20 percent if they could just succeed in interrogating their customer data more effectively.

Ruaraidh Thomas, managing director of applied analytics at DST, says: "Although the research shows that financial services firms understand the need to tap into client behavioural data, execution is an enormous challenge within the sector."

He added: "Putting the required technological solution in place will prove challenging in a business environment where decision makers are currently more concerned with regulation and data privacy."

### New financial services ecosystem

New fintech upstarts are continuing to trouble the buy-side firms surveyed by DST, and three-quarters viewed these new entrants as a real concern.

Financial products that were once the preserve of established institutions are now being redefined within a new financial services ecosystem.

Disruption is the only constant, from 'robo-advisers' and peer-to-peer lending platforms to the appearance of new products as a result of the open banking revolution.

Nevertheless, these pioneering fintech firms have by no means won the race.

As they upscale they find, just as the incumbents did in their day, that they face ever greater hurdles to jump in terms of meeting regulations and capital requirements.

### Industry incumbents fighting back

So, for traditional organisations, there is an opportunity to embrace technology and evolve so they too can compete in what is still a relatively steady marketplace.

This means new battle lines are being drawn.

The DST whitepaper found that 35 percent of poll respondents declined to offer up any details of their activities in assessing client data from multiple sources—saying their activities were proprietary and that they did not want to inform competitors of their plans.

Thomas says: "Effectively pulling together sets of data from various silos or systems within a business will provide an in-depth view of customer behaviour, which will in turn improve customer engagement."

Putting the required technology solutions in place may remain a challenge for some, but financial services firms must continue to improve customer experiences if they are to stay one-step-ahead of their more cutting-edge competitors.

Deriving 'measurable benefit' from client data analysis relies on breaking down operational barriers, our research found that the flow of information must be improved between internal data managers and sales and marketing teams.

As one respondent told our survey: "It's all about knowing your customers and selling the right products to them."

For those that can, harnessing client data sets could be transformative for service levels and profitability.

*Although the research shows that financial services firms understand the need to tap into client behavioural data, execution is an enormous challenge within the sector*

**Ruaraidh Thomas**, managing director of applied analytics, DST Systems

# Don't miss your copy of Asset Servicing Times

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# Comings and goings at State Street, Cinnober, Innovest Systems and more

**State Street Global Advisors (SSGA) has appointed Kathleen Gallagher as head of exchange-traded funds (ETFs) model portfolios for Europe, Middle East and Africa and Asia Pacific.**

Based in London, Gallagher will report to Rory Tobin, global head of S&P's depository receipt (SPDR) ETFs.

Gallagher will be responsible for delivering SSGA's institutional multi-asset class investment capabilities to the intermediary market, primarily through managed ETF portfolios.

Prior to joining her new role, Gallagher spent five years consulting at various financial firms with a focus on multi asset class investments including BlackRock and Barclays.

Gallagher also worked at Global Investors for four years, initially as an asset allocation strategist and then as head of investment strategy in the iShares' solutions team.

In both roles, she was responsible for the research and development of multi asset solutions including managed ETF portfolios.

Commenting on Gallagher's appointment, Tobin said: "Increased regulation and changing policy on fees mean advisers face tougher conditions in which to build viable businesses."

He added: "Kathleen Gallagher's expertise working with clients to create investment portfolios tailored to their investment profile will allow us to combine the best of SPDR ETFs and SSGA's institutional asset allocation capability. We are delighted to welcome her to the firm."

Gallagher commented: "With a wide array of investment tools available, it can be challenging for advisors to navigate the proliferation of investment products offered."

"Model portfolios can help bring investment strategies to life for end investors, allowing them to map their investment strategy to their individual risk appetite, time horizon and return requirements."

She added: "Whatever the desired outcome, with a long heritage working with advisors in the US and the UK following similar transitions, State Street Global Advisors is well-positioned to work with investors to meet the challenges ahead."

**Cinnober has appointed Hans Sjöberg as chief technology officer (CTO) and Taraneh Derayati as new head of sales.**

As CTO, Sjöberg will lead the product organisation within Cinnober, which includes DevOps, product architects, as well as research and technology. Sjöberg joined Cinnober in 2012 when the firm acquired Nomura's Swedish technology development subsidiary. Prior to Cinnober, Sjöberg's worked in various developer roles at investment banks such as Lehman Brothers and Nomura.

In her new role, Derayati will be responsible for leading sales of Cinnober's exchange and instant clearing technology to market operators and clearinghouses globally. Derayati has worked at Cinnober since 2009, as a business analyst and a project manager, leading several client acquisition projects. Most recently, Derayati was in charge of delivering Cinnober's real-time clearing system to Japan Exchange Group (JPX) which went live in February.

Ulf Axman, previous head of sales at Cinnober, will remain in the company in a senior sales advisory role.

Peter Lenti, one of Cinnober's founders and the previous CTO, remains active in the company in a senior technology architect and advisory role.

Commenting on her new role, Derayati said: "I look forward to taking on this role in these exciting times for our industry."

She added: "Cinnober has a very strong track record of supporting trading and clearing venues with contemporary, robust, and flexible solutions, and I believe that we are well positioned to continue leading the technological transformation of the finance industry with efficient real-time solutions."

Sjöberg said: "As an independent financial technology firm, we play an important role in a highly interconnected global industry in need of innovative technology."

"With the current high pace of technical development and new possibilities arising, I look forward to leading Cinnober's technology operation to ensure that we continue to offer cutting edge solutions that support our customers' need for efficient and competitive operations."

**Innovest Systems has named Joanne Smith as COO.**

Smith will lead the product, technology and operations teams of Innovest and its subsidiaries. Previously, Smith has served at Zurich Insurance Group in executive leadership positions in asset management and alternative investments.

She has also served in positions at both SEI and Premier Systems (SunGard).

Glenn Schmidt, CEO of Innovest, said: "We are excited to have someone with Joanne Smith's industry and management experience join our leadership team to support Innovest's continued growth. Smith has a strong commitment to delivering best-in-class products to our expanding client base."

"Her deep financial services background will be a significant asset to our firm as we continue to develop and enhance our product offerings."

**Capitolis CEO and founder Gil Mandelzis has been appointed as non-executive director of Euronext US, a pan-European exchange in the Eurozone.**

Mandelzis, the former CEO of EBS BrokerTec, part of ICAP (now NEX Group) and founder of Traiana, which was acquired by ICAP.

Stéphane Boujnah, CEO and chairman of the managing board of Euronext, added: "The experience of Gil Mandelzis, our new non-executive director of Euronext US, will be a major asset for our group."

"As a successful serial entrepreneur in the field of capital markets platforms, Mandelzis will further strengthen our positioning in the US and our ambition to diversify the revenues of Euronext over the coming years."

Commenting on his appointment, Mandelzis said: "The pace of change in market structure and as well as new technology and trading solutions has accelerated and I look forward to supporting Stéphane Boujnah and the Euronext team in leading the market through these changes."

**SANNE Group has appointed Spencer Daley as head of merger and acquisitions (M&A) and strategy.**

Daley, who served as chief financial officer at Sanne, will be responsible for helping the group "explore and maximise" strategic opportunities.

James Ireland will succeed Daley, taking on the role of chief financial officer, effective from June.

Ireland will also join the SANNE Group board as part of his new role.

Prior to his new role, Ireland led Investec's support services sector team, also working as a close adviser to SANNE for more than three years.

Dean Godwin, CEO at SANNE, commented: "Spencer Daley is an important part of the SANNE's success story. He has been instrumental in helping initial public offering the group in 2015 and has played a key role in the strong growth of the business over the past five years."

"His entrepreneurial spirit is ideally suited to his new role, head of M&A and strategy, as the business looks forward to capturing the opportunities that lie ahead."

Ruper Robson, chairman of SANNE Group, added: "I am delighted that James Ireland is joining SANNE as chief financial officer as Daley's successor."

"He has worked very closely with both Godwin and Daley for a number of years and engaged well with the broader management team and board at SANNE."

"His background will be a great asset in helping the business to deliver its future development and global growth plans."

**NN Investment Partners (NN IP) has appointed Lewis Jones as lead portfolio manager of emerging market debt (EMD) local currency strategies.**

Based in New York, Jones will be responsible for the day-to-day portfolio management activities of all EMD local currency portfolios. He will continue to report to Marcelo Assalin who is head of EMD NN IP.

Jones joined the firm in August 2016 as senior portfolio manager EMD local currency.

In addition to his lead portfolio management responsibilities, Jones will continue covering the Latin America region.

Previously, he served in the EMD department of BNP Paribas Investment Partners as well as Fischer Francis Trees & Watts, based in Boston, where he was a portfolio manager for EMD.

Jones has also held senior positions at State Street Global Advisors and Aviva Investors in London and Boston.

Commenting on Jones's appointment, Assalin said: "We are very pleased to appoint Lewis Jones as lead portfolio manager of EMD local currency strategies."

He added: "Since he joined NN IP in August 2016, he has been instrumental in the strong performance as well as the business development of our EMD local currency portfolios."

**RegTek.Solutions has made two senior sales appointments to support its growth in the core markets of North America and Europe.**

Based in New York, Rob McGowan has been appointed head of sales for North America.

McGowan joins from SmartStream Technologies, where he served as senior vice president of sales.

In his role at SmartStream, McGowan was responsible for the transaction lifecycle process improvements and control for the middle and back office. Tom Morris has been appointed as head of sales for Europe and will be based in London.

Morris joins from NEX Group, where he worked as business development manager.

He has also served as head of sales and relationship management for post-trade solutions at MarketAxess (TRAX), leading the business development of its trade and transaction reporting practice.

McGowan and Morris will both report to Brian Lynch, CEO of RegTek.Solutions.

Lynch said: “Rob McGowan and Morris’ domain knowledge, sales experience and contacts will help fuel our further growth and I’m confident that they will each play a significant role in helping us achieve our strategic ambitions, namely; being instrumental in helping as many clients as possible to achieve sustainable compliance for trade and transaction reporting.”

Commenting on his appointment, McGowan said: “The firm’s strategic approach combined with the rapid adoption of their technology by clients and partners provides a tremendous foundation of success to build upon in the coming year and beyond.”

Morris added: “I’m excited to be joining RegTek.Solutions at this pivotal time and contributing to the next phase of solid growth as the new regulatory landscape beds down.”

**Heartwood Investment Management, the asset management arm of Handelsbanken, has made three new appointments, including Siobhan Pandya, Alistair Campbell and Nikki Howes.**

Pandya has been appointed as head of investment communications. She will be responsible for developing and implementing content and marketing strategy.

Before Heartwood, Pandya was head of equities market content and has also held roles at Henderson Global Investors, Merrill Lynch and J.P. Morgan.

Campbell and Howes have been appointed as investment associates.

Campbell will be responsible for the research of alternatives. He will assist Charu Lahiri in the management of the Heartwood Alternatives Fund. Prior to joining Heartwood, Campbell worked as a portfolio manager at Sarasin & Partners where he focused on liquid hedge fund strategies.

Campbell began his career in investment management in 2013 as an analyst at Societe Generale.

Howes has been appointed to work with Michael Stanes on the management of the growth investment strategy, her main responsibility will be the research is equities. Before joining Heartwood, Howes worked in the investment banking division of J.P. Morgan and has also worked at UBS in London.

Noland Carter, chief investment officer and head of Heartwood Investment Management, said: “We are delighted to welcome Siobhan Pandya, Alistair Campbell and Nikki Howes to Heartwood.”

He added: “The strength of Heartwood’s proposition is down to the quality of our professional team and Pandya, Campbell and Howes will undoubtedly play a vital role in Heartwood’s growth as we continue to evolve our approach to multi asset investing.”

**Dechert LLP has appointed Mark Dillon as a financial services national partner in the firm’s Dublin office.**

In his new role, he will focus on the establishment, authorisation and operation of investment funds, including all forms of Irish regulation UCITS, alternative investment funds and private equity funds.

Most recently, Dillon worked at Deacons in Hong Kong and prior to that Dillon Eustace Solicitors.

Gus Black, global co-chair of Dechert’s financial services group, said: “We are delighted to welcome Mark Dillon, who brings substantial international funds experience to our growing practice in Ireland.”

Dillon added: “I am particularly excited about the opportunity to continue to grow the Dublin office, and look forward to working with such an accomplished team.”

**Augentius has hired Nancy Vailakis as its business development director for the Americas.**

Vailakis has a wealth of industry experience and has held roles at Cerberus Capital Management and Blue Mountain Capital Management. Her appointment comes after a year of 19 percent growth for Augentius and its continued expansion in the Americas.

Commenting on her appointment, Vailakis said: “It’s a pleasure to join Augentius, an established international business. I’m thrilled to be a part of a global leader with a reputation for delivering high-quality client service.”

“Augentius’s focus on technological innovation and smart, thoughtful product evolution in response to market need has served them well and I’m eager to work with such a solid team to grow the business here in the Americas.”

Hugh Stacey, executive director of Augentius, added: “We are delighted that Nancy Vailakis has joined us”.

“I have no doubt that her 14 years industry experience as a business development, marketing and investor relations professional, will make her a perfect candidate to cultivate Augentius’ continued expansion in the US.” AST


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