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Vistra acquires corporate services business from Deutsche Bank

Vistra has acquired the corporate services business from Deutsche Bank's Global Transaction Banking division.

Its corporate services business will now be rebranded under the Vistra umbrella. The corporate services business provides management and administration of special purpose vehicles and asset holding companies to banks, non-bank financial institutions, and corporates.

The business specialises in the administration of structures for structured finance transactions, aircraft leasing, commercial real estate holding, and investment funds. Additionally, the business operates in the UK, Ireland, Luxembourg, the Netherlands, Jersey, Mauritius, Cayman Islands, and the US.

Commenting on the acquisition completion, Onno Bouwmeister, Vistra's group managing director of alternative investments, said: "We are pleased to have entered the final stage of completion for all of Deutsche Bank's Corporate Services to become part of the Vistra brand. This is a significant opportunity for Vistra as we broaden our presence in seven of our existing locations across Europe, the Cayman Islands and Mauritius, providing further scale and expertise in our jurisdictions."

"Vistra has experienced significant growth in the Capital Markets sector with the Deutsche Bank acquisition and that of Canyon CTS earlier this year, creating exciting new potential for our alternative investments division."

Bouwmeister, added: "I look forward to working with the Vistra teams throughout our new offices to continue to build on our achievements and take Vistra to the next level."

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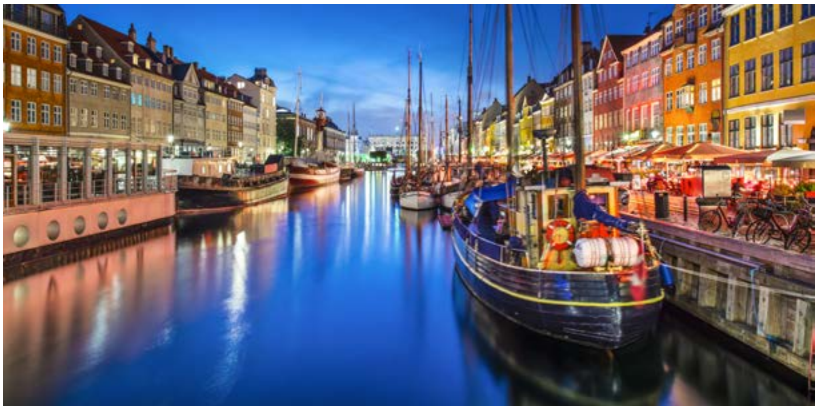


KAS BANK: cost transparency is worth it

As the UK pension industry moves closer to implementing an industry standard cost disclosure template, KAS Bank has suggested that insightful evidence from the Dutch pension market highlights the tangible benefit of a comprehensive cost reporting framework.

KAS BANK conducted an analysis, which found that Dutch pension schemes working under the Forensic Toolkit cost reporting framework realised a significant reduction in costs between 2015 and 2016.

The analysis showed that the average total cost of ownership per pension scheme decreased by 37 percent.

Meanwhile, the average pensions management cost per pension scheme decreased by 31 percent, and the average investment cost per pension scheme decreased by 37 percent.

The findings are linked to the widespread consolidation of Dutch pension schemes and the introduction of a cost transparency framework.

According to KAS BANK, transparency has ultimately enhanced communication around investment decisions across the entire value chain and their service providers. This includes improved investment strategy decisions, better control of research, and other costs via true value-assessment.

Stichting Pensioenfonds TNO said: "We have benefited in the sense that now, DNB is reporting all the different pension funds total cost levels."

"This way, the sector is more transparent and it's easier to compare our cost levels with various other pension schemes."

Commenting on average costs, Stichting Telgraaf Pensieonfonds added: "High-cost managers have been replaced with lower cost ones that perform similarly."

"Across the industry, the increased cost awareness has also encouraged pension funds to let go of higher cost (alternative) investment types and instruments."

Pat Sharman, managing director at KAS BANK, said: "Having supported our pension fund clients in achieving cost transparency in the Netherlands, we've taken a leading role in the UK, helping the pension market bed in a new system of cost disclosure."

He continued: "Research into the Dutch market clarifies cost transparency delivers multiple benefits, including better decision making, and ultimately an overall reduction in costs."

Preqin: largest investors allocate $2.53 trillion to real estate

'Billion Dollar Club' investors' total allocations are equal to 84 percent of total industry assets, according to Preqin.

The 'Billion Dollar Club', which is comprised of those institutional investors which allocate $1 billion or more to real estate, has grown to 499 members in 2018.

This is up from 442 in 2017, a 13 percent increase, illustrating the abiding interest in real estate investments.

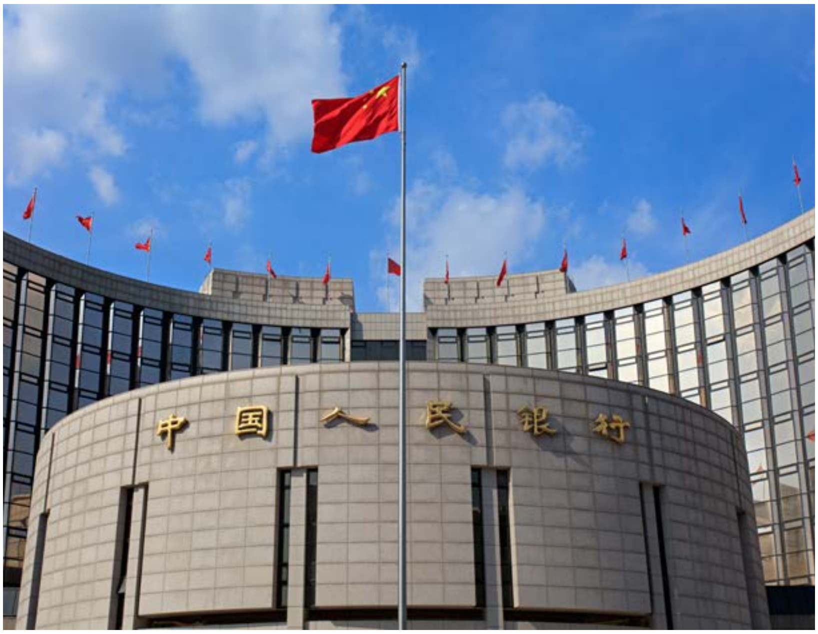
In total, 'Billion Dollar Club' investors had $2.53 trillion allocated to the asset class, equivalent to 84 percent of the $3.01 trillion in assets held by the industry.

This is up substantially from $2.19 trillion that they allocated in 2017, as almost all investor types in the club saw double-digit percentage point increases to their allocations.

Public pension funds and insurance companies hold the largest proportions of the 'Billion Dollar Club', accounting for 28 percent and 21 percent of its members respectively, each accounting for 26 percent of aggregate allocations.

Tom Carr, head of real estate at Preqin, said: "The 'Billion Dollar Club' of the largest investors in real estate has grown to almost 500 members and the allocations of these investors now exceed $2.5 trillion, accounting for the vast majority of capital dedicated to the industry. It is striking that this figure has grown so much over the past year, and perhaps reflects a trend towards inflation-hedging and non-correlated assets on the part of investors."

He added: "The appeal of real estate in this regard is strong—opportunities for investment in the asset class are diverse both globally and across risk/return profiles. We may see more investors position themselves in anticipation of a market shift in the coming months and embrace real estate investments further, in which case the 'Billion Dollar Club' could continue to swell."



Bank of China extends use of AxiomSL's regulatory platform

Bank of China has extended its use of AxiomSL's strategic platform to meet AnaCredit reporting requirements in France.

According to AxiomSL, its scalable platform and business dashboards allow users to quickly process, monitor and adjust large quantities of data that are required to comply with the AnaCredit regulation.

Jérôme Dion, head of risk and financial management for Bank of China and Paris, commented: "We chose to extend our usage of AxiomSL's platform because it proved to lower the overall cost and complexity of regulatory reporting for our firm."

"We have received positive feedback with the outcome of utilising the platform for regulatory reporting in Singapore, so the decision to use it for AnaCredit compliance in France came naturally."

Dion added: "The platform's ability to facilitate multi-jurisdictional reporting on a global level will also allow us to tackle any additional regulatory reporting requirements confidently. We look forward to continuing to work with the team at AxiomSL."

Ed Royan, CEO of AxiomSL Europe, the Middle East and Asia, commented: "We are delighted that Bank of China has decided to extend its use of our platform to comply with AnaCredit requirements in France."

He continued: "Navigating the maze of regulatory requirements is an enormous challenge for financial institutions and our strategic end-to-end offering significantly eases the regulatory burden for firms."

"Our commitment to delivering regional and global solutions for our clients enables them to efficiently meet granular, frequent and complex reporting requirements across multiple jurisdictions through a single platform, whilst generating significant cost savings and improved operational efficiency."

ExodusPoint selects NTHFS for fund administration

ExodusPoint has selected Northern Trust Hedge Fund Services (NTHFS) for fund administration. NTHFS will provide fund administration, risk services, and liquidity services for ExodusPoint.

Enrico Corsalini, COO of ExodusPoint, commented: "Given our platform's significant trading volumes, breadth of products, and need for scale, ExodusPoint requires an administrator with superior technology and broad expertise."

He added: "Ultimately, it was Northern Trust's combination of technology, expertise in supporting complex businesses, strong client relationships and flexible service model that led to our decision."

Jeff Boyd, head of NTHFS, North America, said: "ExodusPoint needed an efficient, scalable solution for data aggregation, intuitive analytics and highly customised operating model in order to meet their internal needs and provide a high level of transparency to investors."

"We approach sophisticated alternative investment managers like ExodusPoint as an operations partner that can provide holistic solutions to meet current needs and adapt to support new investment strategies, operating models and markets."

QuantHouse adds Actant's trading solutions to API ecosystem

QuantHouse has added Actant's derivative trading solutions to the QuantHouse API Ecosystem.

Actant's trading solutions offer algorithmic programming flexibility and control to proprietary trading firms, market makers, investment banks and hedge funds trading derivative and equity exchanges.

By combining their automated trading services with QuantHouse's market data and underlying infrastructure, Actant can now offer fully hosted solutions globally, while

QuantHouse API Ecosystem participants can access derivative and risk analytics services in real-time via a single application programming interface (API).

John Superson, head of strategy at QuantHouse, said: "We have been actively building out our one-stop API ecosystem shop for Quant traders to ensure our clients have access to a broad range of new technologies which they leverage and add to their tailor-made solutions."

He added: "Adding Actant, an automated trading solution for the financial markets, delivers what we believe are critical components for today's sophisticated quant trader."

Dan Sacks, CEO of Actant, commented: "By leveraging QuantHouse's technology, we are able to expand Actant's global reach by integrating into their API Ecosystem, making our software available on demand to all QuantHouse and Actant clients."

He added: "Our clients are always looking towards the latest sophisticated advanced trading solutions, and we see great potential in expanding other product lines through our partnership with QuantHouse."

Eze Software expands offering with trading tool

Eze Software has expanded its best execution offering with Trade Informatics's (TI) strategic and tactical analytic research and trading tool (START), a broker-neutral automated intelligent trading engine.

Backed by TI's pre-trade transaction cost analytics, START helps firms align investment and trading strategies and seek out better execution opportunities across brokers' direct market access routes and dark pools.

The engine's broker-neutral, logic-based trading aims to improve performance, manage costs, and allow control of and transparency into the execution strategy.

Upon execution, START will control the size, type, price, routing, and timing of every child order sent to broker district metered area pipes. Users will maintain complete anonymity of the parent order which is quarantined with the platform and never exposed to the broker.

START will provide post-trade analysis across its certified brokers and the venues on which trades are executed.

Eze Software began its partnership with TI last year, integrating TI's advanced post-trade analytics to its transaction cost analysis offerings.

Bill Neuman, senior managing director of product and engineering, said: "Delivering best execution in today's environment isn't just about finding the best price and liquidity for an order; it's about finding the optimal way to realise your investment strategy."

He added: "We look forward to adding TI's intelligent trading engine to our trade optimisation offerings, and look forward to helping clients bolster their best execution arsenal."

Allan Goldstein, COO of TI, commented: "Trade Informatics and Eze Software maintain a shared vision: to help clients retain alpha, minimise investment costs, and drive operational efficiency."

He added: "Now, as we work to integrate START, we're excited to offer to Eze users expanded opportunities to further automate and optimise their trading.

Our partnership complements our individual strengths, and we look forward to working together to develop innovative solutions that deliver unprecedented value to clients."

ASX releases monthly activity report

The notional value of over-the-counter interest rate derivative contracts centrally cleared by the Australian Stock Exchange (ASX) was $380 billion in July, compared to $621 billion in the previous corresponding period (pcp). The figures, released on 3 August, also found participant margin balances held on the balance sheet at month-end totalled $9 billion in July 2018, compared to $6.4 billion in July 2017.

The value of securities held in Clearing House Electronic Subregister System was 16 percent higher than the pcp. ASX also found the number of dominant settlement messages in July 2018 was 18 percent higher than the pcp.

The value of securities held in Austraclear was 5 percent higher than the pcp.

Overall, on-market average daily value stood at $3.9 billion, a change on pcp of 1 percent. Total average daily value was $4.6 billion, a change on pcp of 2 percent. Average value per trade stood at $4.03 billion, a decrease of 3 percent.

Dolfin sees strong H1 performance

Dolfin saw a strong performance for its H1 2018 results.

One of the highlights of its strong H1 2018 performance included the Malta custody depositary licence, which was secured by Dolfin Asset Services, the Group's operation in Malta. Additionally, the new Malta office opened in Valletta and the local team expanded to nine people, and several clients on-boarded. Meanwhile, Dolfin's global headcount grew by 14 percent as 22 new hires were made.

Dolfin reported a 30 percent growth in private and institutional client numbers, and client assets are now approaching $1.7 billion.

Denis Nagy, CEO of Dolfin, said: "In the first half of 2018, we have been focused on enabling professional financial advisers to enhance their client propositions. Most importantly, we have increased the depth and breadth of our offering both here in the UK and in continental Europe via Malta." Nagy said: "This year, more than ever, we are focusing on the opportunity afforded by technology and of course wealth management itself." AST

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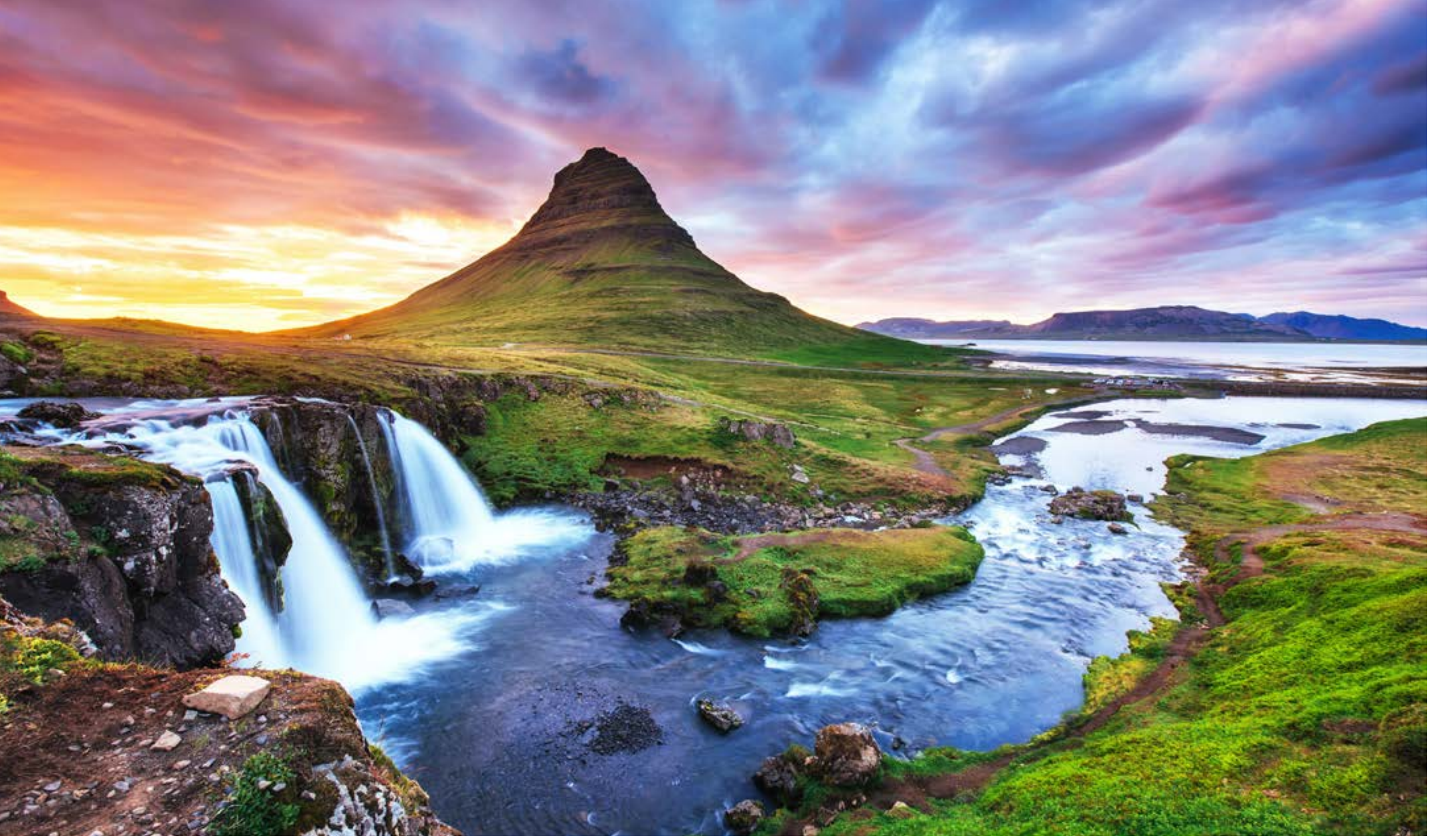


The path to optimisation

John Southgate of Northern Trust suggests the changing regulatory landscape has caused an increased demand on client collateral

Becky Butcher reports

What were Northern Trust's motivations behind the new collateral optimisation solution? And how does it work?

Initially, we are only offering collateral optimisation to active collateral management clients, which makes sense because effectively the solution enables us to make more intelligent decisions about which assets to select when covering margin calls on their behalf.

The changing regulatory landscape has caused an increase in the demands on client's collateral. They are having to give up greater levels of their assets, typically of the high-quality liquid variety, and in some cases they need to raise cash where they have cash only CSA's. If they do not have sufficient cash they may have to go into the financing markets to use repos, for example, to access cash against the assets that they have got; that itself is a margined product.

All paths are leading to the fact that margining is generally getting more onerous and complex, therefore, a client needs to increase the efficiency with which they use their assets. We had some clients going back two or three years ago that were identifying this complexity. They provided us rules over which assets to select but it wasn't algorithmic and not as flexible as an automated solution.

We also saw some consultants up to three years ago asking "what is your collateral optimisation strategy?". However, I'm not sure whether all of the consultants out there knew necessarily what they were asking because optimisation means different things to different people—but we knew we needed to have a defined strategy.

In terms of how we define collateral optimisation, in the first instance, we have established a holistic view across client's assets and across their margined product silos, which we call the enterprise inventory view. Effectively, that ensures that we've got accurate data in terms of availability of the client's assets and their margin requirements across each of those silos, for example: over-the-counter (OTC), foreign exchange (FX), repos, exchange derivatives, and so on. Only once we have that view, may the optimisation algorithms be applied.

Once the enterprise inventory view was in place we developed a few flavours of what we call cheapest-to-deliver algorithms. This takes in factors such as: haircuts on underlying assets, maturity and funding costs, to try and identify, for a given grouping of margin requirements, what the cheapest or most efficient assets are to deliver. It is important to note that we don't look at each individual margin call separately but collectively, depending on the logical grouping a client wants to use.

For example, where we are the collateral manager for a large investment manager, they will have lots of underlying funds and each of those funds are facing off to multiple counterparties. Given that it's only the fund's assets that we can use, we will optimise daily margin calls at that level. Effectively, the algorithm attempts to find the right assets for the most difficult agreements, or the hardest to fulfill first, rather than just going sequentially one-by-one. The ability to re-optimise entire collateral portfolios is also useful for some clients. This looks at everything that has previously been delivered across all of their counterparties and then pumps it through one of the algorithms and says, 'if you have an unlimited restriction around the number of substitutions that you wanted to make this represent the most efficient set of assets to deliver', then there is an exercise where we would recall those assets and substitute. Typically, clients would be doing that on a less frequent basis, maybe monthly or quarterly. That's part of the optimisation offering as well.

We are seeing some pretty compelling numbers in terms of savings that can be delivered.

While we have built an initial set of standard algorithms, every client is different, which is why we are able to overlay client hierarchy rules which tell us the sequence of assets to use and allow for customisation. Those rules can be broad brush or very granular and are fully automated. If there are specific assets that the client doesn't want us to use, for example, we can strip them out of scope from the algorithms.

What benefits/opportunities can the collateral optimisation solution bring to clients and prospective clients?

It is becoming a core offering of our active collateral management service. When we talk to clients this is often at the forefront of discussions, however, it is worth calling out that optimisation isn't critical for every type of client. If you have only got a very small number of counterparties there is probably very limited scope for optimising your portfolio and if clients have got cash-only CSA's then they can't be optimised in the same manner.

One of the key benefits that we are seeing with live clients is that it is reducing the overall market value of assets that we are delivering out to cover margin calls, which means that the client has more assets left which they can leverage to enter into liquidity trades to raise cash if they need it, or more assets through which they can lend, so there is revenue opportunity there for them.

Some clients may hold back from securities lending because they want to ensure that they have a sufficient buffer of assets to cover their margin calls. With optimisation, because you are looking more holistically across those silos, you can be a lot more joined up so you can be more confident that you are going to have sufficient assets left to meet the margin requirements. And because you are delivering reduced market value out to counterparties you are reducing your credit to counterparty exposure, there are less assets sitting at the counterparty.

Who is it best targeted at?

It is most effective when you have a number of counterparties, say five or six, and multiple underlying products that you are margining. So effectively, the more complex the client's collateral book is, the more potential benefit there is through optimisation.

Why are some firms still hovering around the issue of collateral optimisation? And maybe not utilising it to its full potential?

This has been a significant investment for us and we have been working on implementation throughout last year. We are now working on the next phases and have got multiple initiatives in terms of increasing the functionality. That investment may be holding some people back and it is not suited to all types of firms so the cost either in-house or via a third party might not warrant the benefit that you are going to get.

Therefore, when we work with prospective clients we look to run through a parallel period with them, where we can show them the benefits that we get through optimisation. They can make a call in terms of what the value is to them, whether the market value reduction is sufficient, and whether that benefits other investment activities. We are very happy to help them go through that discovery process.

What are you hearing from clients in the collateral space? And what matters most when optimising collateral and controlling liquidity?

It's certainly that holistic view that I've spoken about, where you need to break down the silos. It's no good managing pools of collateral for different types of asset classes in isolation. And actually we have seen over the past couple of years that there is increasingly more desire to centralise collateral management.

Historically, a large asset owner who might have multiple investment managers managing assets for different portfolios may have let each of those manage the collateral on their behalf. That is simply not efficient because you've got the same funds effectively facing off with the same counterparties and you have multiple pools of collateral. There are no netting benefits. Without centralisation it is difficulty for an optimisation strategy to be effective.

When optimising, reliable and timely data is absolutely necessary. It is important to ensure that we have got the latest snapshot of what assets are available, without time lags, especially if assets are being actively traded.

Additionally, we need to make sure that we are not stepping on the front office's toes. Some of the things that we have developed have allowed us to ensure that if an asset manager knows that they are going to be trading a set of assets over a period of, say a week, that we can automatically remove them from optimisation selection, and take them off the table for a period of time.

Clients are starting to think about collateral much more from a front office perspective, and it has certainly been spoken about for a number of years—collateral management moving out of the back office towards the front office.

Decisions are starting to be made around "what's the impact to my margin requirements by doing this particular trade or clearing via this central counterparty?" so, it is about looking at the bigger picture and the impacts to performance that collateral can have.

Have regulatory changes challenged the way firms think about collateral management?

The increasing regulatory requirements have added complexity and that is certainly bringing collateral management to the forefront of people's minds. The decisions about where you might clear a trade for instance can make an impact on the netting benefits at a clearing house. Consequently, we are starting to see more scenario analysis tools available, certainly that's where we want to get with this tool. Right now it sits within our organisation, but in future phases we are not ruling out being able to put it on clients' desktops so that they can actually run scenario analysis across their book. We are not there yet but that is an aspiration for sure.

Some of the clearing members of OTC clearing house offer tools, it is essentially risk scenario analysis but looking at margin implications. The un-cleared margin rules last year were a big impact and transformational for a lot of clients that hadn't had to previously exchange margin but suddenly found themselves needing to. We have spoken to a lot of firms that never really had to consider the fact that they might need to hold cash or collateral back for margin. It's about understanding the impact of a certain trade on your collateral requirements, and then what is the cost of that, particularly if you have got to access cash financing markets and how does that cost impact overall performance.

Have you had positive feedback on the solutions from clients?

We are seeing really encouraging results in the reduction of market value that we are delivering. We have revisited some clients margin portfolios once they have been live for a few months and we have seen some positive numbers.

Client feedback has been very positive and those who have started on the path of rolling out want to get the rest of their funds optimised as soon as possible, so we are now working through a pipeline of clients to get them on to the tool.

How do you see the collateral landscape changing over the next five years?

The theme of the increased complexity is not going to go away as there are further regulatory challenges ahead. The new initial margin rules are going to kick in over the next few years and will impact our clients, so I think that there is a lot going on in the industry right now where we are looking to increase messaging automation, and that is the other aspect of efficiency.

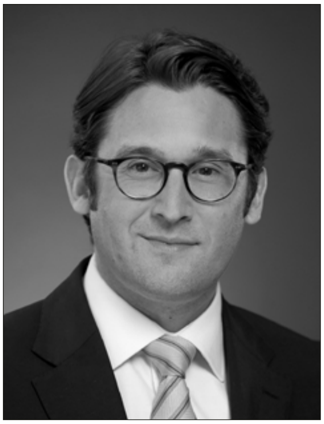
I look into efficiency in two key areas. One is efficient use of the assets that you've got, which we call optimisation and the other is infrastructure and messaging, which is the efficiency and the speed at which we can move assets around to cover margin calls. There is a lot of exciting stuff going on around that. I hope that the industry will continue to adopt some of these because standardisation and streamlining is clearly a good thing.

The theme around liquidity is going to continue to grow. We have got clients that sit on both sides of the fence in terms of some having a potential cash shortfall, whereas there are others that are long cash.

Interesting models like peer-to-peer lending are becoming more important and we are starting to see more opportunities emerging. That will continue and, of course, with these trades requiring margining, that trend of increasing complexity will increase. I have spoken about centralisation, and I think that will clearly continue.

Modelling from a front-office perspective will become more prevalent as will the tools used to help model the different scenarios around what a specific trade does and what that means from a margin cost perspective, what that does to your profit and loss, and almost having a front office role in terms of the collateral management function alongside investment management.

We certainly see liquidity management and collateral management being two areas that sit pretty neatly together, and that is how we think about some of the products that we look to offer. AST



John Southgate
EMEA head of derivatives
and collateral product
Northern Trust

Singapore is ready to create, disrupt and accelerate

Singapore's advanced technological infrastructure and evolution as a global financial hub has placed it in good stead, but how has this affected the custody landscape?

Maddie Saghir reports

As Asia enjoys a technology and financial boom, Singapore's advanced technological infrastructure has been a strength and the city-state remains in a prime position to increase in Asia's custody market.

Reflecting on the past few years, Singapore has evolved somewhat and is now seen as a strong financial hub for Southeast Asia and globally. This evolution has been driven by a number of factors. Robert Tabet, head of client relations in the Asia Pacific, the Middle East and Africa, at Clearstream, attributed the evolution in the industry to several reasons, including the strong growth of the wealth and private banking business.

Tabet also noted that investors are becoming more sophisticated in their investments looking for yield and new asset classes like structured products, as well as mutual and hedge funds.

Another important topic, Tabet continued, is that the introduction of collateral management and especially optimisation are opening doors for few custodians with the proper engines. For Yen Leng Ong, country head for Singapore and head of South East Asia of Northern Trust, technology and data play a significant role in the asset servicing industry globally.

"Safekeeping–a key role of any custodian—is the most fundamental service provision in the asset servicing industry", Leng Ong said.

"However, the emphasis of an asset servicer has shifted from safekeeping and securities processing to delivering quality and reliable data and its analytics through technology, while the traditional role (safekeeping and securities processing) remains."

The increases in Singapore's fund management assets were outlined by the Monetary Authority of Singapore, which revealed that there was an 18 percent increase year-over-year in Singapore's fund management assets.

Assets breached the SGD $3 trillion (US $2.2 trillion) mark for the first time and assets under management (AUM) increased by an average of 12.7 percent per year over 2016 and 2017.

Rohan Singh, head of asset servicing, Asia Pacific at BNY Mellon, highlighted that in Singapore, clients are looking at custodians that come with a strong global franchise and the ability to connect and service their assets across the world.

"They are also looking towards service providers who are able to provide a centralised platform to create, trade, manage, service, distribute or restructure to meet their increasingly complex investment needs."

He added: "Clients are asking about local presence signalling a trend on the need for global custodians to invest in the region to provide local support and expertise to service their growing requirements."

Commenting on types of assets driving this growth, Diana Senanayake CEO at BNP Paribas Securities Services, said: "We saw traditional asset classes and some interesting trends in equities but we also see an interesting and important trend in the alternative space."

"In an effort to remain competitive and to offer additional value-added services to investors, the Singapore Exchange (SGX) has implemented a number of new initiatives to revamp its post-trade systems (PTS), or post-trade infrastructure."

Senanayake continued: "In 2017, the new ISO 20022 standard for clearing and settlement was introduced. The implementation of this new technology coincides with similar moves by other market infrastructure providers across the Asia Pacific region, and is part of the ambition to strengthen Singapore's position as a gateway to Southeast Asia."

Technology: is automation of back-office operations a necessity or a luxury?

While some industry participants are eager to embrace change and the emerging technologies, others are reluctant and find it to be disrupting thus making it a fascinating topic.

Indeed, technology is affecting the custody industry in a number of ways, and automation of back-office operations can be considered as either a necessity or a luxury.

Senanayake commented: "Solutions that enable clients to address their business challenges are a necessity to remain competitive."

She added: "This is the only way to provide accurate, cost-effective, and timely client solutions and those custodians investing heavily in new technologies will be the long-term winners."

Agreeing on this point, Tabet explained: "Automation is becoming a necessity and not a luxury in the industry to contain cost and income ratios knowing that margins are tightening and investments in technology and cybersecurity are reaching new highs."

"Introduction of robotics to streamline some processes is one of the things that are becoming more common in the industry, not to mention the testing of blockchain technology by many banks to bring down cost and improve efficiency."

Indeed, necessity seems to be the common denominator for back-office operations, Singh said that as technology marches on, the automation of back-office operations is no longer a luxury but a necessity driven by changing client expectations.

From a business perspective, Singh said that automation is all about the client experience and how agile you can be to continually improve the experience.

He added: "Driven by a relentless focus on being leaner, bolder, and more agile, BNY Mellon invests in technology for the future and fosters innovation from the incremental to the disruptive."

"The bank's institutional clients are embracing technology. When clients choose a provider, they now prioritise ease of use of technology, with ease of technology integration a close second."

"For example, BNY Mellon has nine Global Innovation Centres focused on developing breakthrough financial services technologies, three of which are in the Asia Pacific."

"Each location has a specific focus area. The Singapore Innovation Centre, which opened in November 2016, focuses on evidence-based data management solutions. It is designed to facilitate collaboration with fintechs and clients in Asia for the creation of data-driven market solutions. Our design thinking methodology is highly consultative, with a client-centric approach that ensures successful execution."

Singh continued: "Breaking down walls between the business and tech teams, our Innovation Centres promote new ways of working and collaboration. We do this through an innovation culture, internal competitions to drive new solutions, and hackathons to build strategic partnerships and trust."

Leng Ong said: "Northern Trust will continue to make an investment in distributed ledger technology (DLT), robotics, artificial intelligence (AI) and machine learning, to optimise our asset servicing delivery and quality, and permitting clients to focus what really matters to them."

It can be gleaned from this that technology is an area where many companies are looking to heavily invest in.

Senanayake outlined that in 2017, the BNP Paribas group committed to investing €3 billion in digital transformation over the next three years.

Comply, adapt, regulate, repeat

The aftermath of the financial crisis has provoked an abundance of regulations, which has proved to be a challenge for many industry participants.

For Senanayake, there is not a specific single regulation which has been the biggest challenge, and she noted that the industry has come to the stage where incorporating new regulation has become part of the industry's day-to-day life.

This means that the industry has a number of mechanisms in place to manage the impact of those regulations, Senanayake explained.

Senanayake continued: "For Singapore specifically, the local regulation requires that a Singaporean entity must be used to solicit business from Singaporean clients, which is an important point to consider for entities reviewing their operating model and entity structure, to ensure that they are still able to work with the same client base."

Meanwhile, Tabet said: "Singapore being the most advanced and sophisticated private banking and wealth management hub in Asia increases flows through the Lion City and with it comes to the risks of abusing the system like all big financial centres."

"This has been the biggest challenge in the last couple of years. From one side, custodians and financial institutions want to do everything possible to ensure they meet the regulators' requirements, set standards for best practice and avoid reputational risk but at the same time, they have to balance that with costs and remaining competitive."

He added: "Investing in compliance tools and expertise has taken the lion's share in the last couple of years."

Singh commented: "At BNY Mellon, our focus is on harnessing technology to simplify financial institutions' regulatory compliance and we also see regulators increasingly engaging with fintechs and looking to encourage innovation particularly in the area of regulations and compliance."

Looking to the future

Leng Ong believes that DLT and AI will continue to mature in the asset servicing industry.

"I believe Singapore is best positioned to adapt to the innovative technological landscape in financial services, where the city-state will continue to leverage digitalisation and automation through AI to drive productivity output", Leng Ong stated.

Tabet said that his expectations for the next five years would be that custodians will gather more assets and get bigger.

He added: "Custodians will be more involved in initial margin segregation, collateral management–an area that is still in its infancy stage in Singapore- and definitely in the repo space."

Senanayake expects trends towards alternatives to continue to grow, she said: "To remain relevant to industry trends, there are a number of areas where we see Singapore adopting new practices to within the league of leading financial centres and increase investment flows into the market."

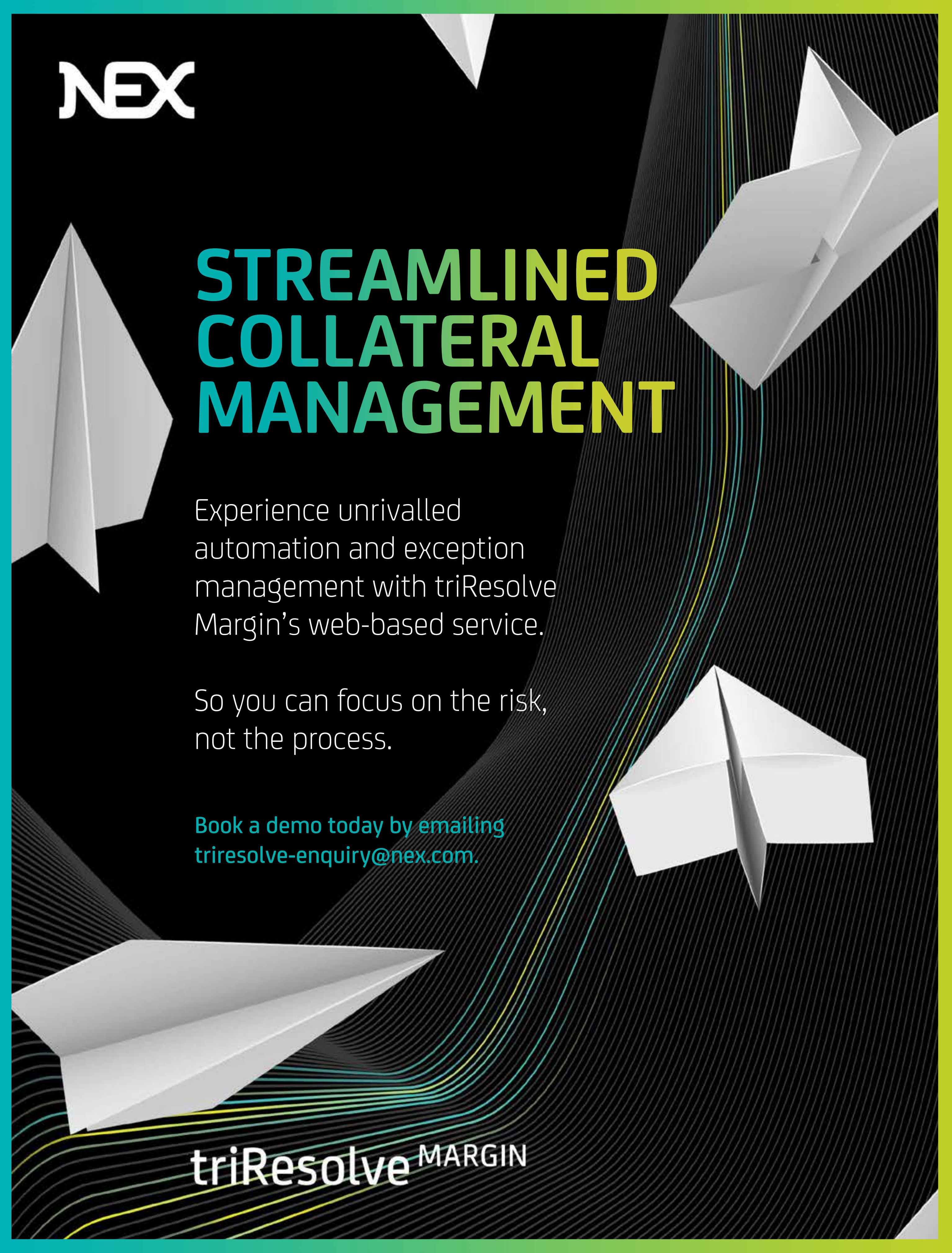
According to Senanayake, this includes competitive post-trade central securities depository fees to encourage cash inflows and transaction volume, promoting remote trading membership to give more choices to investors and guaranteeing best execution.

Predicting what the custody landscape will look like within the next five years, Singh said: "Clients' knowledge on digital solutions, the rapid development of disruptive technology coupled with a strong Singaporean government support will be key drivers that will transform the custody landscape in Singapore."

"We expect new custody solutions to be developed and test bedded in Singapore with Singaporean clients being the first adopter to these solutions."

"These tested solutions will, in turn, be adapted and applied globally."

He concluded: "With MAS's continuing ambition to establish a vibrant innovation ecosystem, the influx of leading-edge technology disruptors and clients' savviness in harnessing technology to increase yields and drive efficiency, Singapore is poised to be the hub to create, disrupt, and accelerate." AST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A post-Brexit plan

Tony Freeman of DTCC discusses the motivations behind the firm's expansion in Dublin as the UK advances towards a departure from the EU

Maddie Saghir reports

What motivations were behind the expansion of DTCC in Dublin?

We are opening a new office in Dublin to continue providing an authorised regulatory reporting service for clients in the EU27, as the UK advances towards a departure from the European Union in March 2019.

Who will benefit from the new offices in Ireland? And what advantages/opportunities will the new office bring?

DTCC's expansion to Dublin will enable firms within the EU that require derivatives trade reporting services, including banks, brokers, investment managers and corporate firms, to continue using DTCC's Global Trade Repository (GTR) services regardless of the outcome of the final negotiations between the EU and the UK. DTCC's GTR will also maintain a presence in the UK, ensuring ongoing compliance with both European Securities and Markets Authority (ESMA) and the Financial Conduct Authority (FCA)'s requirements under the relevant legislation in both jurisdictions.

In addition, DTCC's Dublin offices will benefit those market infrastructure professionals who wish to work and live in Dublin. We're currently recruiting for several open positions, such as a systems director and general manager, and are looking to employ the most qualified professionals for the jobs. We're hoping to engage with local resources as part of this process, including EU nationals that have made Dublin their home.

What services will the office in Dublin offer?

The Dublin-based trade repository will work alongside the DTCC network of seven trade repositories and provide a full level of service to clients in the EU27. This includes a new solution for regulatory reporting required under the Securities Financing Transaction Regulation (SFTR) as of 2020, as well as DTCC's existing over-the-counter (OTC) derivatives and exchange-traded derivatives (ETD) regulatory reporting solution for both cleared and uncleared contracts.

What will the main challenges be in expanding into Ireland?

Ireland offers an attractive business climate with familiar accounting rules and legal system—in addition to the obvious language and timezone benefits. Additionally, we've closely collaborated with IDA Ireland, the national agency responsible for promoting inward investment in Ireland. Having been an approved trade repository in the EU for several years, DTCC knows exactly what this entails, and this will help us deliver a high-quality service.

Is there a plan to open up more offices across Europe eventually?

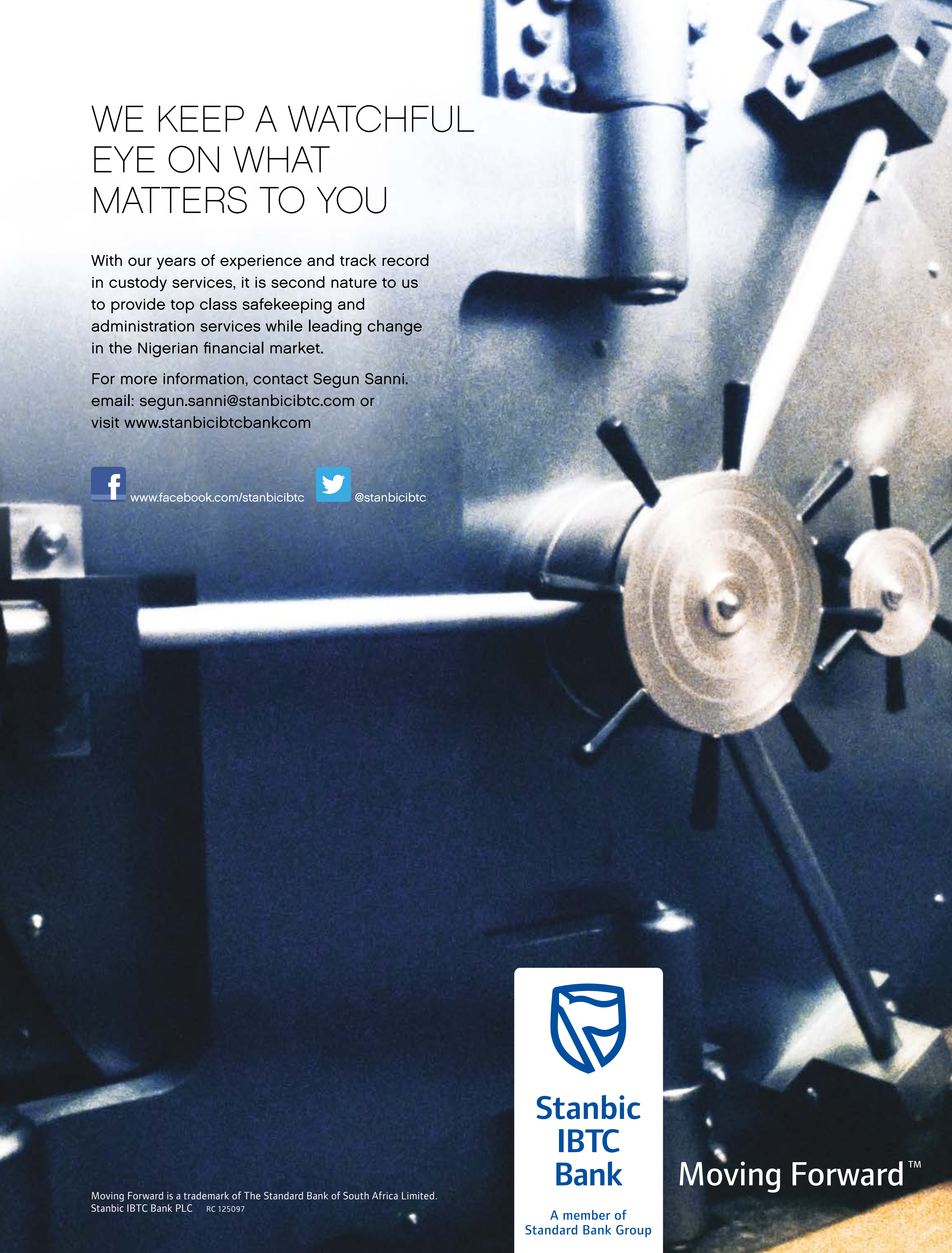
DTCC already has a European presence with offices located in Brussels, Stockholm, and Frankfurt, in addition to our two UK offices, in London and Wrexham.

Looking to the future, do you think Brexit will provide more opportunities or challenges for the firm?

DTCC will continue to provide its services in both the EU and the UK by maintaining a presence in the UK and establish a trade repository entity in Dublin to ensure full ongoing compliance with ESMA's requirements under the European Market Infrastructure Regulation legislation.

As a result, DTCC will remain well-positioned to continue supporting clients in the UK and the EU27. AST

Tony Freeman
Executive director of industry relations
DTCC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With our years of experience and track record in custody services, it is second nature to us to provide top class safekeeping and administration services while leading change in the Nigerian financial market.
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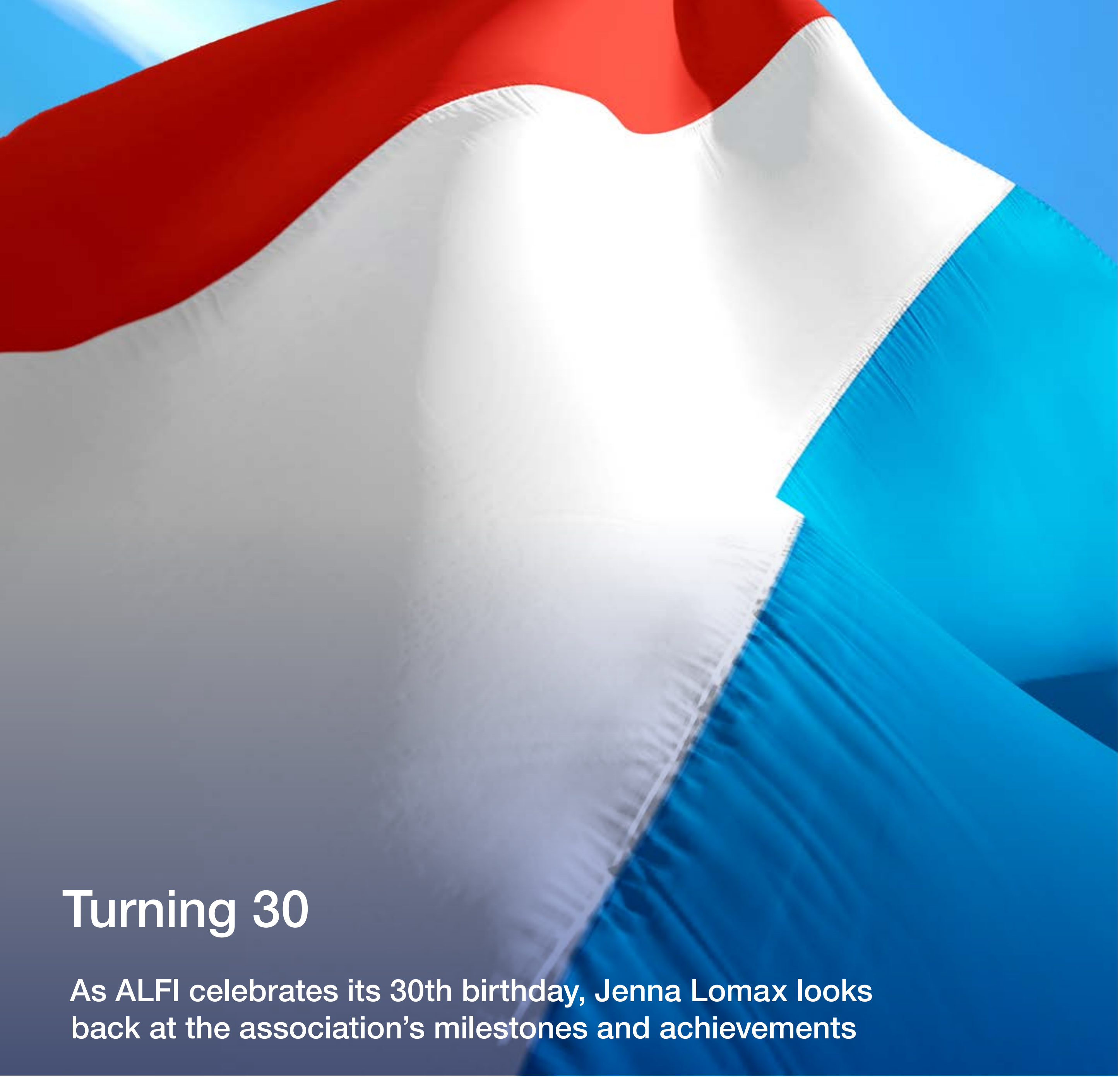


Turning 30

As ALFI celebrates its 30th birthday, Jenna Lomax looks back at the association’s milestones and achievements

Jenna Lomax reports

The Association of the Luxembourg Fund Industry (ALFI) is turning 30 this autumn. The association was formed in 1988 with the purpose of representing and promoting the fund industry of the Grand Duchy. The anniversary will be celebrated at the ALFI Global Distribution Conference, which takes place at the European Convention Center Luxembourg on 25 and 26 September 2018. The evening of the second conference day will be dedicated to the association’s jubilee, putting in the spotlight a topic close to ALFI’s heart: investor education. Ensuring financial literacy beyond the finance community, across generations, and making the general principles of investing known to all is essential both for people’s economic well-being and the robustness of the financial market.

ALFI chairman Denise Voss, says: “Ensuring financial literacy beyond the finance community, across generations, and making the general principles of investing known to all is essential both for people’s economic well-being and the robustness of the financial market.”

Three decades of ALFI coincide with three decades of UCITS. A pioneer from the start, Luxembourg was the first member state, on 30 March 1988, to transpose the UCITS Directive into national law—an important step that helped establish the country as a leader in the field of investment funds globally and build its reputation for reactivity. The creation of a unique funds infrastructure and development of comprehensive expertise meant that Luxembourg was soon recognised as a centre of excellence for cross-border funds in Europe and the world. UCITS—well-regulated, stable and with their significant level of investor protection—went on to become an unrivalled premium brand that combines efficiency and reliability and still remains the only widely accepted true cross-border fund model. Today, two out of three UCITS distributed internationally are domiciled in Luxembourg, and investors from more than 70 countries in Europe, Africa, Latin America, the Middle East and Asia have entrusted in excess of €3,500 billion to Luxembourg UCITS.

In addition to the success story of Luxembourg UCITS, the fund association has also witnessed impressive growth rates of private equity and real estate funds. The entry into force of the Alternative Investment Fund Managers Directive (AIFMD) in 2013 has led to further increasing assets in Luxembourg-domiciled alternative funds.

The fund centre is also intent on flying the flag for sustainable investing. Environmental, social and governance (ESG) funds that invest in accordance with certain environmental, social and governance criteria have been on the rise for years.

ALFI helped to position Luxembourg early as a specialist domicile for responsible finance. Since 2010, the assets under management of sustainable funds in Europe have nearly doubled, amounting to €476 billion euro at the end of 2016. Green and climate funds, in particular, are developing at considerable speed. Luxembourg domiciles 38 percent of European responsible investing (RI) funds and 45 percent of their assets managed.

In celebrating its 30 years, ALFI can look back on the establishment (and subsequent evolution) of its three flagship conferences—the September Global Distribution Conference that focusses on Luxembourg's core competency is complemented by the European Asset Management Conference, held each spring as per tradition, and the most recent addition to the trio, the PERE conference that caters to asset managers in the alternatives sphere and highlights Luxembourg's structuring and operational excellence benefitting funds that target these two asset classes.

Outside Luxembourg, ALFI is very active too. Its successful practice of hitting the road to showcase the Grand Duchy's advantages for investment funds began in 2005 with its first roadshows in London, Frankfurt and the US—the beginning of an intense global promotion agenda and travel itinerary. The opening of representative offices followed: in Brussels in 2006 to bring the industry perspective to the heart of the EU, and in Hong Kong in 2010, acknowledging the fact that Asia had become the main market for UCITS funds outside Europe.

Milestones furthermore include the introduction of the ALFI code of ethics in 1998, providing a framework of high-level principles and best practice recommendations for the governance of Luxembourg investment funds. The matter of investor education figured prominently on the industry's agenda in 2015, when ALFI launched www.understandinginvesting.org, which was designed to provide the general public with useful basic information about investing.

The Luxembourg fund industry first achieved the landmark of being the largest investment fund centre in Europe in 1999, a position it regained in 2005 and has held ever since. In 2011, it also became the second-biggest domicile for non-UCITS in Europe. The implementation of AIFMD in 2013 and the launch of the Luxembourg RAIF, the Reserved Alternative Investment Fund regime, followed. The first LuxFLAG label for ESG funds was launched in Luxembourg in 2014. At the end of last year, the assets under management in Luxembourg surpassed €4,000 billion, merely three years after the €3,000 billion mark.

The impact of regulatory developments on the fund business is a core preoccupation of ALFI. Of particular importance are current EU initiatives in the framework of the Capital Markets Union, which offer exciting opportunities for UCITS to evolve. In this context, ALFI notably welcomes the ambition to remove remaining barriers to cross-border distribution.

The increasing need for individuals to take responsibility for their own long-term financial security means that the pan-European Personal Pension product (PEPP) is also especially interesting. These continued harmonisation efforts are a trend that is seen alongside an opposing concept of protectionist elements facing markets generally, with Brexit one expression of this.

Technological developments not only continue as a standing item on the agenda, but fintech accelerators like blockchain technology and its many uses in the fields of cryptocurrencies, crowdfunding and digital distribution along with artificial intelligence and robo-advice are fast and fundamentally changing the face of the financial sector. A common observance in the industry is that former niche investment policies are becoming mainstream. Alternative investment funds for example, such as those investing in real estate or private equity, were considered specialist products just a decade ago. Today, many fund houses count property funds among their portfolio as a matter of course. Similarly, regard to ESG factors is no longer "nice to have", but something that investors expect—and expect to be evidenced.

Committed to ensuring these and other expectations of increasingly demanding investors are met, ALFI will continue to advance Luxembourg's position as the international fund centre of reference, recognised as open, reliable and innovative by investors, policymakers and industry alike.

This is achieved by promoting practices that align the interests of investors and industry, articulating the essential role of investment funds for the global economy, connecting investors with market opportunities worldwide and stimulating innovation, research, talent development and education. And innovations keep on coming—in line with its innovative approach, the association will carry into the future its purpose of helping its members adapt to change and thereby ensure Luxembourg investment funds can fulfil their potential of serving the investor and the economy. AST

A slow down

Will Mayne of Broadridge offers insight into the industry's current trends, its performance over the last 12 months, and Broadridge's strategies for developing analytics and market intelligence solutions

Maddie Saghir reports

What are Broadridge's strategies for developing analytics and market intelligence solutions for asset managers globally?

Broadridge provides the asset management community with both a holistic and granular view of the marketplace. This is delivered through a common platform for firms to navigate and quantify the complexities, with insights into industry dynamics and individual firm positioning. Listening to clients' positions ensures we can empower the industry of tomorrow with first class data, analytics and insights.

How do you think the industry as a whole has performed over the past 12 months?

It was a truly standout year in 2017. At Fund Forum Berlin in June, we presented data which showed very strong organic growth—with good news stories for both the active and passive businesses of asset managers within Europe. This opened well but since has seen a slowdown in flows versus last year, and in May the 17-month stretch of positive net inflows in Europe came to an end amidst global geopolitical uncertainty.

Are there any trends that you are currently seeing in the industry?

Thematic strategies have been a key source of activity in Europe and Asia. This represents investors looking to identify the long-term persistent trends, which will drive equity valuations and change industries—funds focusing on themes like robotics, artificial intelligence and water scarcity are examples of this type of approach. For some investors, this is trying to look beyond any cyclical uncertainty around the economy and take a longer-term view on what future trends industries will be driven by in the future.

Another area within fixed income which was enormously successful in 2017 was the flexible or unconstrained fixed income sector. The persistent low interest rate environment has investors asking questions about what they need to do to eke out yield without greatly increasing risk. PIMCO benefited greatly from this trend in 2017. This year, however, has been rocky for this space, and the bond market faces challenges of a changing global rate environment. We believe that this space will continue to grow and develop as investors will continue to look for guidance from actively managed fixed income portfolios, and see the benefit of an unconstrained approach.

A particularly interesting area for the asset management industry this year is growth witness in multi-asset both from retail and institutional investments, what do asset managers need to understand in order to be successful in this space?

Whether it is launching a single flagship strategy, or positioning a new range for retail flows, there is no single path to success in multi-asset. However, blockbuster multi-asset winners have clustered in four areas:

- Creating a strategy capable of consistently achieving an outcome (defined by risk, return and critically fees) that is aligned to either the broad investor universe, or the needs of a key channel, for example, Italian banks
- Achieving this outcome through an approach that is equally as desirable and is considered robust by selectors/consultants, appreciating appetite for flexible asset allocation or alternatives, or anxiety about derivatives and leverage in certain cases
- Laser focus client communications, clearly articulating the benefits and differentiators of the strategy, with empathy to the individual needs of each client group they are targeting—their story and the benefits for retail investors, the process/people and risks for institutional investors
- Targeting the key channels for MA demand and forming relationships with the right partners for access to investors. For example, key regional distributors, global/local investment consultants. AST

Will Mayne
Senior director
Broadridge

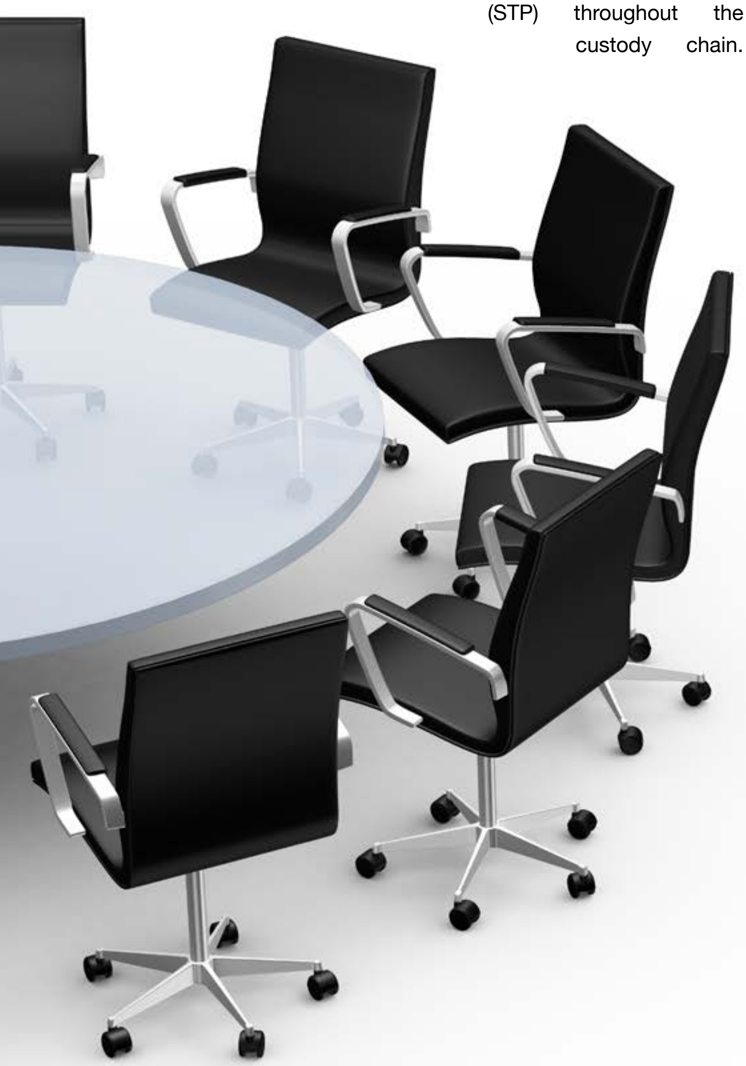
Taking action

Market players discuss how advancements in technology, regulation and change in data capture and cleansing have affected the corporate actions space

Becky Butcher reports

How have advancements in technology changed the delivery and management of corporate actions?

Werner Frey: Advancements in technology have been and are indispensable to improve the efficiency of corporate actions processes; this is particularly the case in regard of the application of messaging standards including ISO 15022/ISO 20022 to provide for straight-through processing (STP) throughout the custody chain.



Moreover, providers of custody services including central securities depositories (CSDs) are exposed to intense competition that comprises the quality and scope of technological asset servicing systems to the benefit of portfolio managers, asset managers and end investors.

Walter Verbeke: Incremental progress is being made in efficiency and services in the corporate action space, with existing, as well as with new emerging service providers. Cloud and artificial intelligence, in particular, are increasingly strong enablers. Similarly, the CSDs of the Euroclear group has continuously been improving their corporate actions services. We already have a number of robotic process automation (RPAs) running and are expanding these along end-to-end process initiatives.

Introducing new technology in the corporate actions area is good. But it's fair to say that there has not been a real break-through so far. That shouldn't come as a surprise as a lot of the remaining efficiency hurdles in corporate actions are in the standardisation across jurisdictions and markets.

Those inefficiencies need to be overcome first, as the new technology itself cannot address the complexity of the data and the process flows. Together with the industry, Euroclear continues to work on jumping those hurdles, one at a time.

As a financial market infrastructure (FMI) at the centre of the capital markets ecosystem, we are positioned at the crossroads of the information flow between issuer and investor.

We definitely see the value Euroclear and the industry can bring using new technology, in further improving that increasingly important communication line between issuer and investor.

Sarj Panesar: We have seen the introduction of the new ISO 20022 standard for corporate actions as well as service providers, providing a data collection, data storage and communication across multiple service providers, management of disparate data and non-standard formats, as well as responding to a compressed response cycle and navigating critical deadlines for any given event.

Matthew Pountain: Technology advancement has been a significant catalyst for automation in the management of corporate actions. Highly manual business processes that would have taken several days to complete manually have now been automated, enabling operational teams to mature their business processes to operate on an 'exceptions' basis.

More recently, processes that were previously considered too complex for automation have been tackled by market participants on both the buy side and sell side to eliminate high-risk manual processing, especially for the most complex voluntary/elective events on complex transaction and positions.

Web portals are also now more widely used to deliver notifications to clients and internal decision makers and in some cases those same portals offer election instruction capabilities for automated processing. Consequently, client expectations have now grown in terms of the timeliness of event notification delivery. Clients are also looking to make event participation decisions much closer to the event deadline than seen in the past. Indeed, the most competitive election deadlines are typically offered by those institutions that have made significant investments in automated solutions and this is now considered a key service differentiator by custodians and broker/dealers.

Technology advancements have also created a closer interaction between corporate action teams and their internal trading functions as corporate events create opportunities for the front office to manage global inventory to optimise returns (for example, elections arbitrage) in ways that were previously not possible. Automation has been a significant enabler of this type of activity.

Technology has also allowed institutions to confidently handle much higher trading volumes and a higher complexity of trading types through automation, which has been an enabler for business growth. The introduction of automated workflow-based processing solutions has made processing teams much more exception-oriented, allowing them to target resources quickly and effectively to those events that need attention.

Smart app technologies has also been applied by some market participants to improve the accessibility and timeliness of corporate event information delivery to their clients and this, along with automated learning technology, is likely to be a significant growth area in the coming years.

What benefits has this brought to portfolio managers?

Panesar: The benefits are quicker and more accurate notification, and a closer time to the cut off to provide a response.

Pountain: Portfolio managers have realised several key benefits from the recent advancement in technology. The timely and accurate delivery of event information throughout the event lifecycle is a key benefit.

Portfolio managers need to be made aware of corporate action events that impact their portfolios as soon as possible after they are

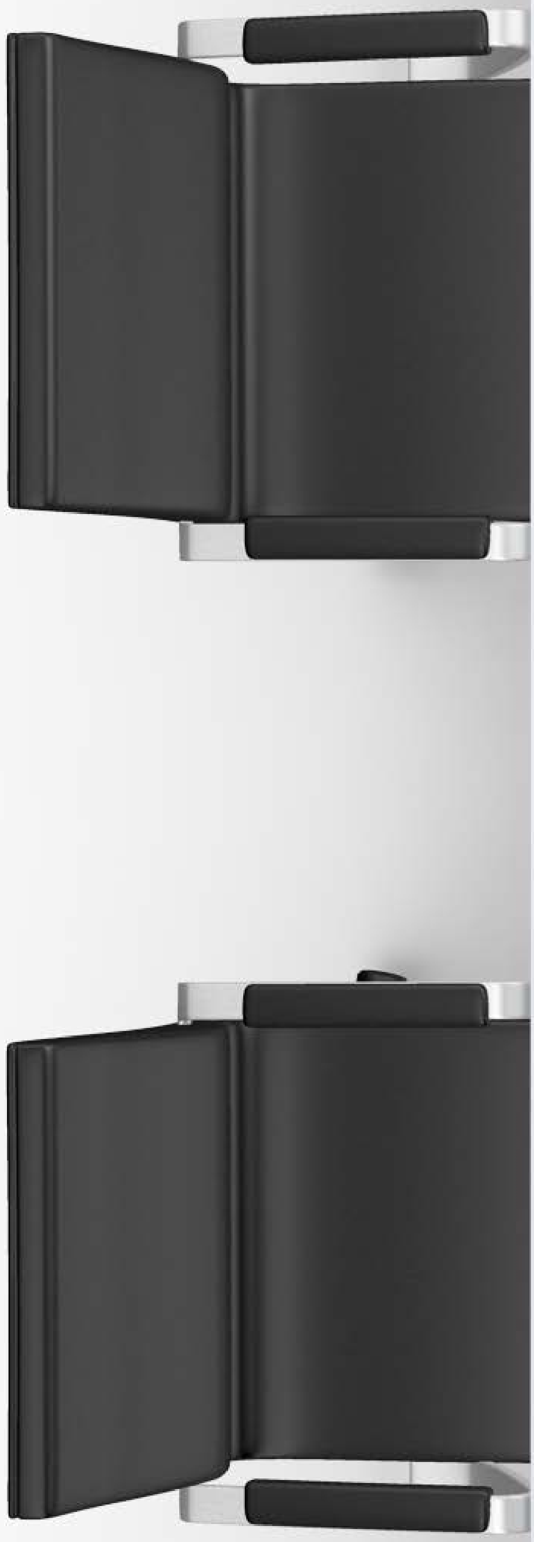
Werner Frey, managing director in AFME's post-trade division

Walter Verbeke, global head of business model and innovation at Euroclear

Matthew Pountain, product lead and deputy general manager, international post-trade at Broadridge

Demi Derem, managing director, investor communication solutions international at Broadridge

Sarj Panesar, global head of business development, asset managers at Societe Generale Securities Services



announced, especially where that event announcement can have an immediate impact on share price.

The automation of the event capture, scrubbing and notification processes within an organisation can greatly assist portfolio managers, by providing them with the accurate and timely information they need, allowing them to quickly assess the impacts to their portfolio and decide upon any actions required.

Having a holistic and real-time view of the global inventory of positions under management and all of the in-flight corporate action events that impact those positions, in one platform, also greatly assists the portfolio managers in efficiently managing and mitigating the risks that arise from corporate action events and also in the decision making process for elective events.

Automated election decision making for specific events can also be considered, ensuring the portfolio manager does not miss any investment opportunities on 'in the money' options.

Another benefit of increased automation is being able to make election decisions much closer to the event deadlines, reducing risk of exposure to share price and currency fluctuations.

Finally, onward dissemination of corporate event information (via automated delivery channels) to the underlying fund investors can help increase shareholder transparency.

Are asset managers outsourcing their corporate actions obligations? Why?

Frey: Much to our regret, the buy side did not show much interest in industry initiatives that aim to improve corporate actions processing through harmonisation and standardisation, for example in processes, which other than decisions they have to take themselves, in the context of elective corporate actions, they could outsource to custodians. However, increased competition in the asset management space appears to change this in as much as asset managers start to realise the beneficial impact of such initiatives.

Pountain: There has been a significant recent shift in the number and scale of buy- and sell-side organisations that have outsourced or are actively considering outsourcing their post-trade operations and/or technology functions to service providers such as Broadridge. This outsourcing allows the asset managers to put focus on their differentiating client service offerings while leveraging the industry expertise of the service provider. The asset manager does not have to invest in their own 'in house' technology function for post-trade solutions to the level they otherwise would.

The asset managers also benefit from the mutualisation of the costs associated with industry change (for example, the cost of implementing a new tax reporting requirement) as this would typically be shared across all participants using the outsourced service provider.

Panesar: Asset managers are outsourcing some, if not all, of their corporate action processing. However, we need to differentiate between the obligation to process corporate actions and any obligation to make election decisions on corporate actions.

Asset managers are looking for the complete "golden record", which will allow them to make a well-informed decision on the corporate action. Compiling the golden record continues to be a major challenge, and where it can be done well by another party, managers are using them. The other major challenge for corporate actions is delivering the action back to the global custodian. With the introduction of the ISO 20022 standard will ensure consistency.

It is generally regarded that the real obligation is the decision-making process and it is very unusual for an asset manager to outsource this element.

Have we seen much change in data capture and cleansing within the corporate action space?

Verbeke: I see a more generic dynamic in our industry, where financial institutions and FMIs are recognising the true value of data and are starting to turn their processing environment into a data-centric environment—a data lac set-up from which to turn data into valuable information and services.

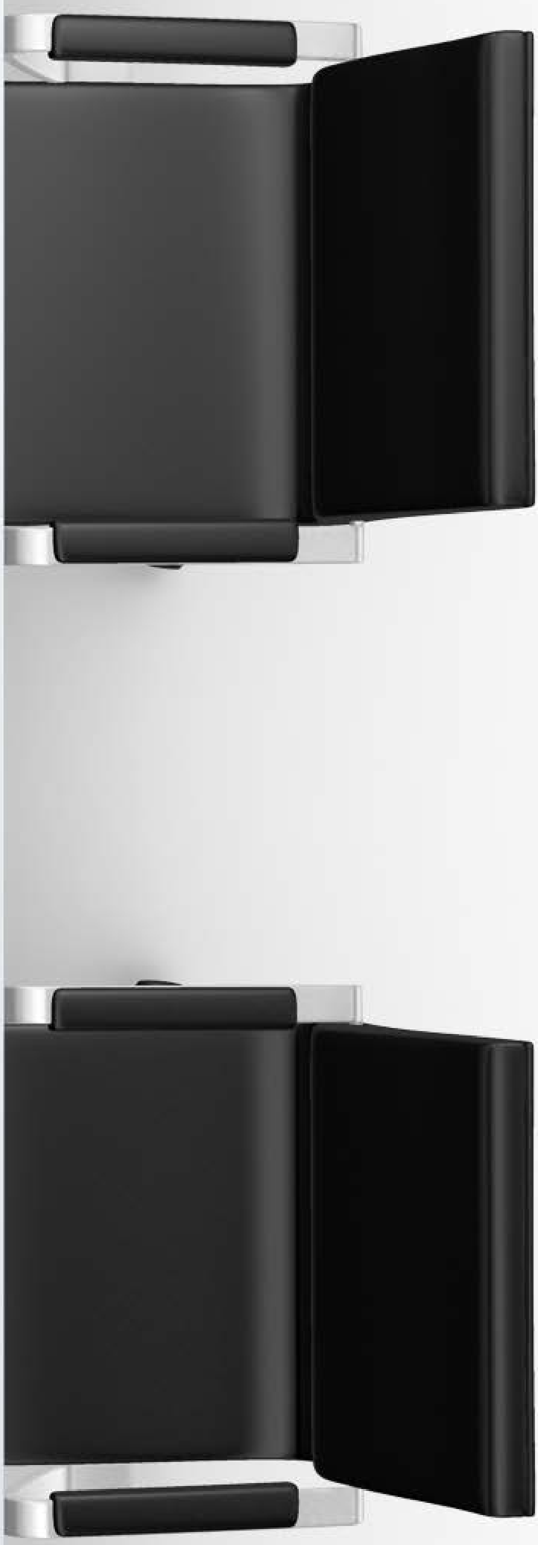
Our business line Euroclear Information Solutions (EIS), which was launched in 2017, is a good example. And it is leading to interesting new ways of collaboration: for example, our recently announced partnership with liquidity matching financial technology, Algomi, which aims to offer relief in the fixed income market when inventories run thin and an infrastructure-like solution is needed to help locate the required securities.

I am sure that this dynamic will also enter into the corporate actions space to improve data quality and accessibility as we transform data into valuable information.

Panesar: There has not been much change in the capture and cleansing of data in the corporate action space bar since the introduction of ISO 20022.

Frey: The golden operational source provided by the issuer should be the unique, reliable and sole basis for an STP-able end-to-end communication from the issuer to end investors, rendering thus capturing data from multiple sources and cleansing unnecessary.

The forthcoming publication of the Implementing Regulation of the amended Shareholder Rights Directive should enable this outcome in European markets.



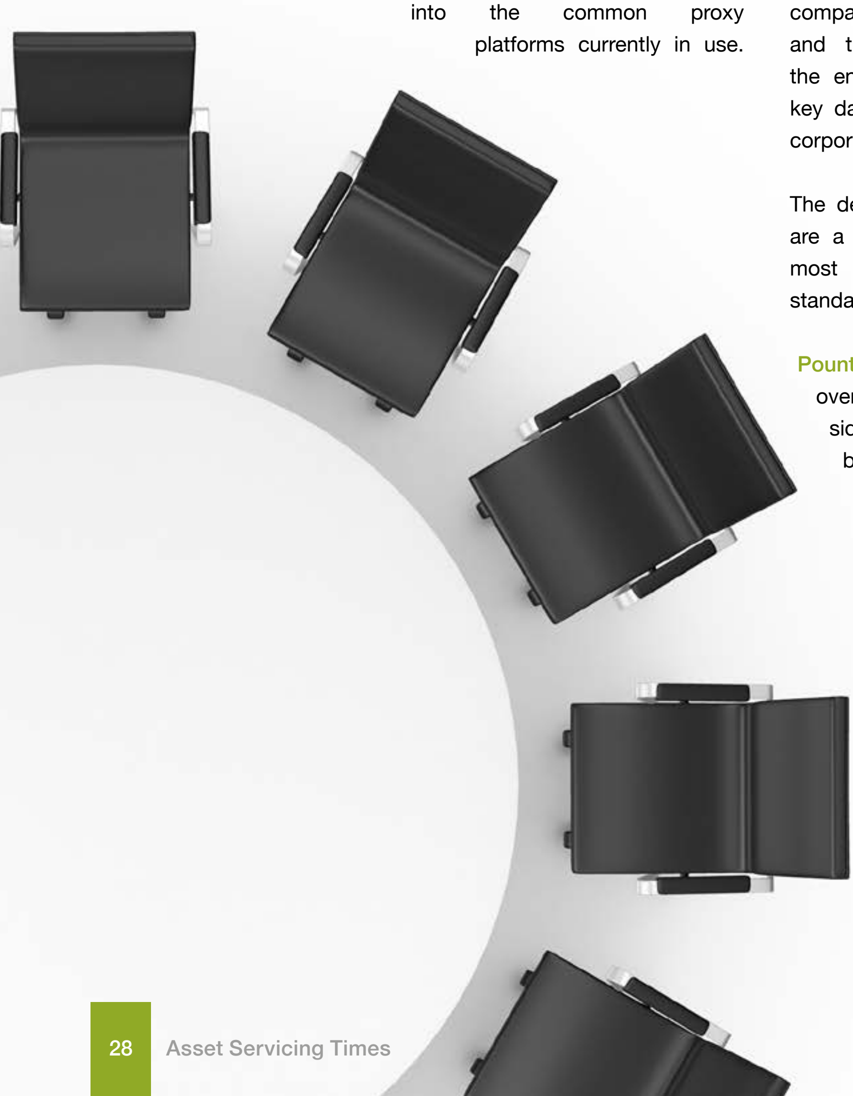
Pountain: There has been a significant growth in recent years in the number of corporate action solutions technology vendors that offer automated event capture/event scrubbing solutions.

These solutions have largely benefitted from the standardisation of event notifications across the entire event lifecycle under the ISO 15022 and more recent ISO 20022 message standards used by the majority of data vendors and custodian/agent banks.

Automated data comparison/data normalisation and automated decision making processes where differences between data sources exists, have been made possible by these message standards. Managing by exception is now the norm, with very high levels of STP achievable, particularly in the event capture/event scrubbing space.

What standards are in place for the handling and delivery of corporate actions?

Demi Derem: Today the vast majority of proxy messages are sent using the ISO 15022 SWIFT standard. This standard was originally designed for corporate actions processing and does have some drawbacks for proxy voting messaging, particularly in terms of the ability to STP instructions into the common proxy platforms currently in use.



The ISO 20022 standard was first published in 2008, and has been revised several times since. This newer standard has a separate, dedicated suite of messages for proxy voting which allow for much greater efficiency in processing.

Whilst adoption remains low, we see increasing interest in Europe to transition to this standard and are hopeful that adoption will increase over the next two years.

Panesar: Developments have included the global open ISO standard 20022 that establishes a recipe for creating financial messaging standards. In the US, this includes the DTCC's re-engineering of its core systems for corporate actions processing to follow ISO 20022 messaging.

Frey: Industry working groups have developed market standards for corporate actions processing and for general meetings.

In particular, some 120 standards for corporate actions processing are in an advanced stage of being implemented in all European markets.

These standards cover all forms of corporate actions from a simple dividend payment to a complex tender offer as they are compartmentalised into the categories distributions, reorganisations and transaction management; their subject matter concerns the end-to-end communication from the issuer to the investor, key dates and their sequence and the operational processing of corporate actions.

The development and implementation of these market standards are a major success of the industry in dismantling one of the most complex Giovannini Barriers through harmonisation and standardisation to the benefit of all relevant constituencies.

Pountain: Securities Market Practice Group standards have evolved over the past decade by an industry-wide forum of buy- and sell side market participants, and has defined standard processing behaviours for global corporate action event lifecycles (from event announcement to payment date).

These standards have been adopted by a large proportion of market participants (including registrars, custodian/agent banks, asset managers, CSDs and broker/dealers), enabling firms to deliver process automation based on agreed standards.

Are we seeing technology, such as blockchain, playing a part in improving corporate actions and proxy voting processes? And how do you see that developing over the next five years?

Panesar: Currently blockchain has been applied to transfer agency activities but doesn't have to be limited to this. The concept of using the distributed ledger technology (DLT) within the corporate action process could begin efficiencies.

Derem: Proxy is one type of corporate action and is seen by many market participants as a good place to start when trying to solve problems associated in this space.

This explains why over the last few years there have been so many types of pilot programmes associated to global proxy.

We believe blockchain is a technology that can offer significant benefits in certain parts of the proxy processing value chain, and to that end we have conducted a number of pilots using this technology. To assist learning and awareness across all financial intermediaries, we have partnered with a number of different financial institutions to explore the art of the possible.

We believe blockchain technology is likely to see greater adoption over the next five years as all financial intermediaries start to gain a better understanding of the benefits and constraints of the technology.

Frey: The first dedicated financial technology solutions using the blockchain technology have been put in place, such as the proxy voting process developed and implemented by Banco Santander this year.

We expect that technology, including, but by no means limited to, blockchain will play an increasingly positive role in corporate actions and proxy voting processes—by way of an evolution over time rather than a revolution.

The harmonisation and standardisation of related processes will, in our view, be a crucial condition precedent for respective business cases.

Verbeke: Cloud, artificial intelligence, robotics, and indeed blockchain, have the potential to materially improve the corporate actions space.

I have seen several ‘proof-of-concept’ projects being developed, specifically in the proxy voting area, and some CSDs are well-advanced in the development of blockchain-based solutions.

Euroclear is also looking into the possible added value of new technology in this area. Proxy voting seems to emerge as a valid blockchain use-case. The challenge I see is not so much in getting the technology right or sorting out the processes.

An important success factor and that is true across all blockchain use-cases—is being able to create a win-win between infrastructure providers and financial institutions, as blockchain not only requires a joined approach to the service but also a synchronised way of working and applying technology across multiple institutions.

And in the case of proxy voting, a synchronised way to include the issuer or its agent is particularly important.

How has the increased regulatory burden on the financial industry affected the corporate actions space?

Panesar: The main effect of regulation has been the requirement for reporting a transparency and reporting.

The main impact has been more participation by asset managers in voting.

Derem: The volume of significant regulation in the areas of post-trade and asset servicing has reduced many entities’ ability to invest in improvements in proxy processing.

For example, Target2 and the Markets in Financial Instruments Directive have been significant areas of focus and investment particularly over the last few years.

As these regulatory and structural changes have concluded we have seen increasing attention on the proxy process, with asset managers doing more to integrate stewardship into their investment practice, and with other entities looking to invest in better and more efficient proxy processing.

Within the European Union, we have also seen the impetus of the amended Shareholder Rights Directive.

This regulation is likely to have the biggest impact on proxy processing in Europe for many years, if not decades.

As we prepare for the publication of the final rules from the European Commission in September, we look forward to supporting the financial industry in its move to a model which will bring greater voting rates and transparency than ever before.

Frey: Of particular importance in the European corporate actions space is the amended Shareholder Rights Directive and its Implementing Regulation.

This regulatory initiative increases, on the one hand, the burden of the financial industry, for example, by transparency requirements that are in our view not conducive; it supports, on the other hand, the objectives and the implementation of the aforementioned market standards, for example, in regard of end-to-end communication from issuers to end investors, always provided, however, that the transposition of EU law into national laws does not contravene the harmonisation objective by re-introducing fragmentation along national boundaries. That is why the European Post Trade Forum (EPTF), an expert group set up the European Commission in the context of the Capital Market Union project, has added corporate actions to the list of priorities in the EPTF Report. AST

A new era

With its regulation typically lagging behind its innovation, and the increasing enforcement of financial crime laws, what is China's asset servicing outlook?

Jenna Lomax reports

These past few months, there have been law developments that could help China's financial services, including an incoming e-commerce law and a relaxation of negative lists for foreign investment. But, let us not forget China and the US are in an ongoing, fluctuating spat surrounding trade deals, which currently dominates the news headlines.

However, there has been some good progress to report on, creating innovative financial technology, but the government's David and Goliath combat with financial crime slightly damages this.

China is an ancient country with relatively young financial institutions, only moving from a largely agricultural economy to a financial powerhouse in the past 50 years. Back in the 1970s, China experienced an increase of urban workers moving into higher-paying jobs in cities. Eventually, the Shanghai stock exchange was reopened in December 1990, which in turn led to China's accession to the World Trade Organisation. Skip forward to this year, and the current Chinese president, Xi Jinping, is attempting to improve the country's economic prospects with an on-going five-year anti-corruption campaign.

Corruption is viewed as a serious issue in China. According to the Ministry of Public Security, Chinese police recovered RMB 35.6 billion (US $5.4 billion) and closed 168,000 financial crime cases in 2016.In 2017, The Chinese Securities Regulatory Commission announced administrative penalties of RMB 7.57 billion (US $1.2 billion). So, there's no surprise that last November, the Chinese government launched a new 'super regulator', headed by vice-premier, Ma Kai. The agency will reportedly assist the government with regulation and initiate policies on China's financial security.

China still faces issues with its financial regulation and, under Jinping's guidance, seems to be slowly finding its own ways of responsibly improving regulation, whilst it also tries to increase liquidity in its bond markets and mitigate risk for economic stability. As Michael Wu, Greater China country executive for Northern Trust, says: "We have seen a rise in the adoption of middle office outsourcing among newly established private fund management companies as they look for ways to achieve cost efficiencies and speed to market."

He adds: "This has led to an increased number of local securities companies becoming active in this space with a unique offering by bundling middle office with trade execution solutions."

A new (artificial) life

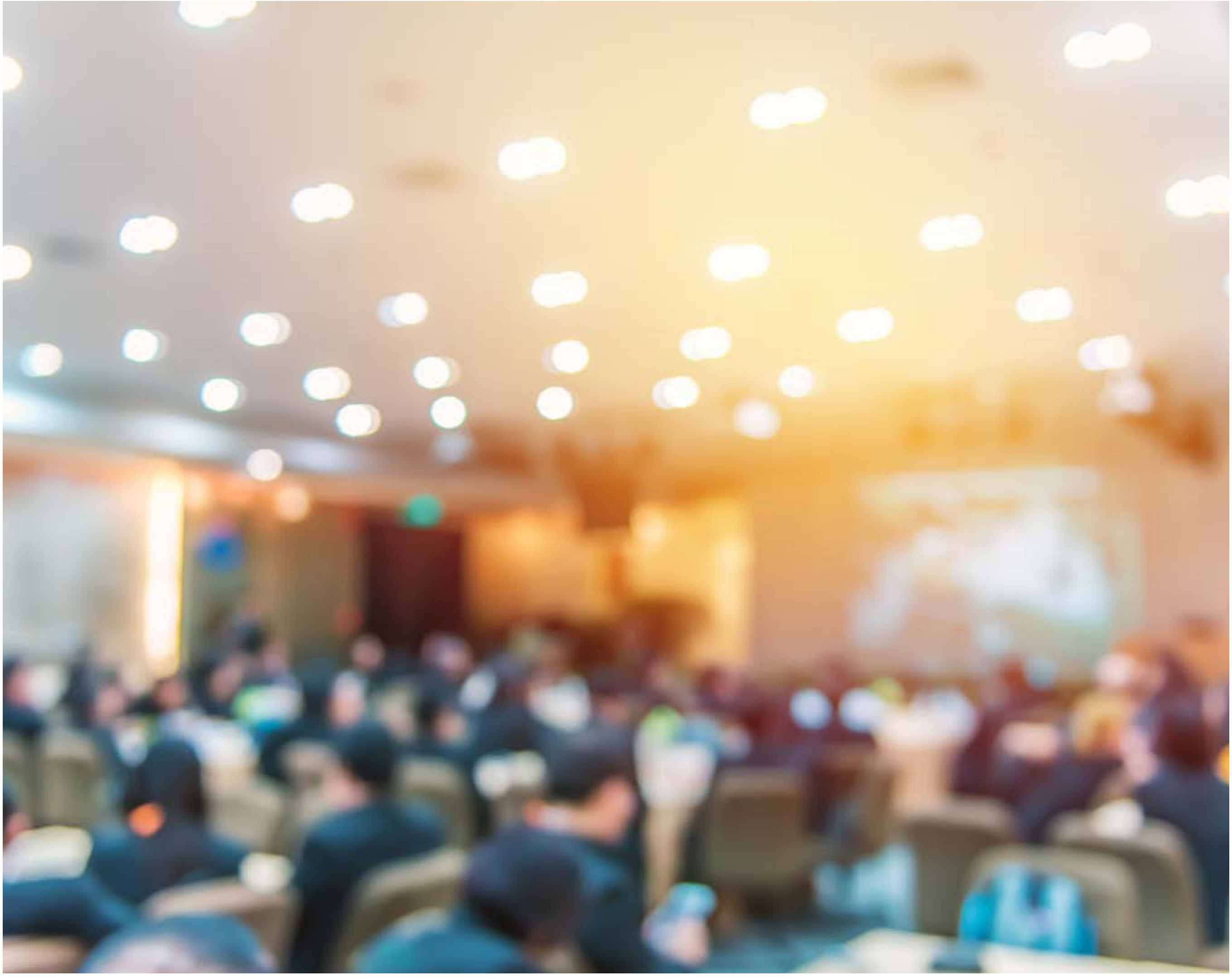
One of China's strengths is its recent advancements in financial technology. Finastra, among others, has given several Asia Pacific (APAC) financial technology firms access to its FusionFabric.cloud platform, including InfoTrie, HedgeSPA and Paretix. FusionFabric.cloud, underpinned by Microsoft Azure, enables third parties to develop and deploy apps. The University College London is also allowing overseas students, visiting London from China, to develop apps on the FusionFabric.cloud platform in Mandarin. Chinese innovation in financial services poses an opportunity for the wider fund management industry, according to Porter Erisman, former vice president at Chinese e-commerce platform, Alibaba Group. Through the development of mobile payments capabilities, fintech is now "part of the daily fabric of people's lives" in China, he says.

Going forward, Erisman suggested that "data is going to drive the revolution", because, in China, there is a lot of data available on the cloud, without the same sensitivity around data protection seen in other parts of the world. Erisman added: "More than anything, it's a way for you all to tap into the hungry Chinese investors."

As Wu reiterates: "China is home to some of the world's largest fintech companies and is a leading force in areas such as mobile payment. The phenomenal growth is fueled by an open regulatory environment where regulation typically lags innovation. This may change as regulators start to take a tough stand in areas such as online lending in order to prevent financial systemic risk."

China's future

You'd be naive to think that, like the rest of the world, China hasn't taken advantage of the leading cryptocurrency, bitcoin. But last year, in a sudden move, the government banned it. At the turn of last year, China accounted for nearly 90 percent of trading in bitcoin. China's central bank ordered an immediate ban on initial coin offerings, the unregulated alternative to initial public offerings for tech-forward start-ups. And shortly after that, Chinese cryptocurrency exchanges were ordered to stop trading, which Japan and South Korea took advantage of. However, there are now rumours that the ban might be reversed leaving China's cryptocurrency policy unclear. But as Wu predicts: "As the level of sophistication increases among investors, focuses are likely to shift to advanced analytics solutions, data transparency and digitalisation, which will be largely driven by technological innovation", and it would seem cryptocurrencies are the biggest part of that innovation evolution. AST



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Comings and goings at Financial Risk Solutions, BNP Paribas, Deutsche Bank and more

Financial Risk Solutions has appointed Matthew Baldwin as managing director in Asia as well as hiring Fréderic Simon as Europe, the Middle East and Africa (EMEA) head of sales, based in London and Niall McDonagh as financial controller, based in Dublin.

Baldwin relocated from London to Hong Kong late last year to oversee the opening of a new office in Kuala Lumpur and in Hong Kong. According to Financial Risk Solutions, the company is now well placed to capitalise on growth in the region.

Commenting on his move, Baldwin said: "Many life insurers in Asia still have a heavy reliance on spreadsheets and manual processing for their unit-linked fund administration needs. With the high growth rates and premiums written this needs to be automated. Our Invest|ProTM fund administration software includes trade order management, unit pricing and oversight modules with a specific focus on Asian market requirements."

On the European side of the business, Simon joins the business with 20 years of experience in the fintech industry. Previously, he has served as firms including FIS, Cetrel Securities Deutsche Borse and Cloud Margin.

Simon said: "I'm delighted to be joining the Financial Risk Solutions team at this exciting time of growth for the business. [The company] has quickly become a dominant European and Middle Eastern unit pricing software provider and with the evolving regulatory landscape in Europe, there is a strong appetite for specialist providers of the Packaged Retail and Insurance-based Investment Products Regulation/key information document (KID) solutions in both the funds and life and pensions industry."

Finally, McDonagh joins the Dublin office as financial controller, reporting directly to the CFO.

BNP Paribas Securities Services has made four senior appointments to its London-based sales team.

Valeria Anderson has been appointed senior sales director of asset managers. Anderson, who has 20 years of experience in the asset management and asset servicing industries, joins BNP Paribas from Bank of America Merrill Lynch where she was director of custody and agency services.

Prior to this, Anderson held various senior sales and relationship roles at the Bank of New York Mellon in Paris and London.

Omar Arti has been appointed sales and relationship manager of the Middle East.

Arti has more than 24 years' experience in the securities services industry, predominantly with J.P. Morgan where he held a number of senior custody operations, client services and relationship management roles.

Arti joins BNP Paribas from Astinal Consulting, where he advised on business development strategy.

Barry Kelly is appointed business development manager of asset managers.

Kelly joins from outsourced corporate services provider, Centralis Group, where he was business development manager and UK country representative.

During 12 years in financial services, Kelly has held a number of senior sales positions both in the UK and in Europe working for organisations including KNEIP, the fund data management platform, and Interactive Data Corporation.

Colm O'Brien has been hired as senior sales director of alternative investors.

O'Brien has worked in financial services for more than 20 years, holding a number of senior sales roles and was most recently director of fund services at SS&C Technologies.

Previously, he spent four years with Investec where he was responsible for developing corporate and institutional client relationships.

From 2002 to 2008, O'Brien held various global markets proprietary trading roles at Anglo Irish Bank.

Patrick Hayes, head of UK, the Middle East and South Africa at BNP Paribas Securities Services, said: "I am delighted to announce these new hires, which will bolster our business development capabilities across the asset management, alternatives and asset owner sectors in the UK and the Middle East."

He added: "Their experience and industry expertise will help us continue to grow our client base in the region and support our existing clients."

Deutsche Bank has appointed Hans-Dieter Holtzmann as COO and head of global transaction banking (GTB) in Vietnam, effective 16 August.

In his new role as COO, Holtzmann will report to Werner Steinmueller, member of the management board and Asia-Pacific head of Deutsche Bank.

Meanwhile, he will report in his GTB capacity to Kaushik Shaparia, head of global subsidiary coverage, GTB foreign exchange and corporate cash management for Asia.

Hans-Dieter has been with the bank for more than 20 years, and has worked in various senior capacities.

He has worked across the Deutsche Bank global offices with Commercial International Bank, regional management, and government regulatory affairs.

Steinmuller said: "We are pleased to have a colleague of Holtzmann's calibre in this role. As one of our key markets in Southeast Asia, our Vietnam franchise has shown profitable growth and we are excited about the country's outlook. This is why last year we significantly increased our capital base in this market, providing the bank with more resources to support our clients' activities."

Shaparia added: "With his extensive client management experience, Holtzmann is well positioned to lead and grow our GTB business in Vietnam, where we are a key player in cash management, trade finance and securities services, servicing both global and local clients."

JTC has appointed James Tracey as new managing director in its Guernsey office. In his new role, Tracey will lead the office as it continues to grow its institutional and private client service range from the jurisdiction.

Meanwhile, he will also assume additional cross-jurisdictional responsibilities as he takes a seat on JTC's Institutional Client Services (ICS) Board.

Tracey joined JTC in 2015, following the firm's acquisition of Kleinwort Benson's fund administration business and has worked in all areas of fund servicing. This includes commercial property, private equity, fund of funds, and fund of hedge funds, as well as listed investment vehicles.

Additionally, Tracey has a number of directorships on both management and investment companies.

He is also an associated member of the Institute of Chartered Secretaries and Administrators, and a member of both the Chartered Institute for Securities and Investment the Institute of Directors.

Commenting on his new role, Tracey said: "It's a privilege to take on this role at JTC, which continues to experience growth and invest significantly in its global capabilities following our listing on the London Stock Exchange earlier this year."

He added: "Guernsey is very much part of that growth story, and in my new role I'm looking forward to ensuring we continue to offer clients a first class, cutting-edge service right across our institutional and private client business lines from Guernsey."

The Smart Cube has appointed Harsha Swamy to a new position of COO.

He will also join the executive team, which has been strengthened over the past two years with the addition of chief product, chief human resources, chief information, and chief marketing officer roles.

Harsha has more than 17 years of sales management experience, most recently spear-heading growth at an analytics firm. Prior to that, he drove sales development for companies including Cognizant and Sapient. His remit at The Smart Cube will be focused on bringing strong leadership and rigour to sales operations, and driving the company's ambitious growth plans.

Gautam Singh, co-founder and CEO at The Smart Cube, commented: "I am very pleased to welcome Harsha to The Smart Cube, as we continue to evolve our core research services into analytically-enriched and tech-enabled solutions."

He added: "From a rigorous executive search process, Swamy stood out for both his breadth and depth of experience, and his strategic commercial mindset, so I am thrilled to have him on board to lead sales and bring new perspectives to the executive team."

Commenting on his new role, Swamy, said: "I am delighted to have joined The Smart Cube. I believe my combination of commercial, analytics and technology experience is a great fit for the company and this new role, and I look forward to leading sales and delivering against the firm's growth ambitions." AST