AST ASSETSERVICINGTIMES

ISSUE095
06.08.2014 WEDNESDAY
assetservicingtimes.com

Players team up for new industry hub

The Depositary Trust & Clearing Corporation (DTCC) has collaborated with six banks to establish the Clarient Entity Hub.

Clarient Entity Hub is a financial industry solution that is designed to provide increased controls, standardisation and transparency to clients.

The solution will allow participants to cope with evolving internal risk management requirements, as well as 'know your customer', Foreign Account Tax Compliance Act and other client data and documentation challenges.

The programme will also be fully integrated with the DTCC client reference data and enrichment service, a portal that collects counterparty information required for delegated derivative trade reporting in support of the European Market Infrastructure Regulation.

Clarient Entity Hub, owned and operated by DTCC's Clarient Global, was founded with BNY Mellon, Barclays, Credit Suisse, Goldman Sachs, J.P. Morgan and State Street.

DTCC's Matthew Stauffer will serve as CEO for Clarient Global.

Stauffer saod: "Clarient Entity Hub is a unique offering that we've developed in close collaboration with out founder banks and over 10 of the world's top asset managers and hedge funds, who have provided significant input into the overall user experience as part of the Clarient User Partner Program."

readmore p2

Prime funds for BNP Paribas

Global custodian BNP Paribas Securities Services is acquiring Prime Fund Services (PFS) from Credit Suisse.

PFS is a provider of fund administration, custody and banking solutions for alternative investment managers and will allow BNP Paribas Securities Services to develop its global fund administration franchise.

The transaction will result in a global fund administrator service to alternative investment managers that will service more than $231 billion of alternative assets.

Clients will benefit from a service combined of PFS's administration expertise and BNP Paribas Securities Services's custody and depository network.

It is expected that the transaction will close in the first half of 2015.

ASIC seek feedback on OTC reporting changes

Interest rate swaps is one of the proposed revisions to mandatory trade reporting rules of over-the-counter (OTC) derivatives that the Australian Securities & Investment Commission (ASIC) is seeking feedback on.

A recent revision of the timetable for phase three entities to start reporting OTC derivative transactions to trade repositories has made way for proposals aimed at ensuring a smooth transaction to the reporting regime and follow

The consultation paper proposes changes governing the reporting of OTC derivative transactions to derivative trade repositories; such as a number of technical changes to the rules designed to make the reporting regime more effective and easier to comply with; clarifying the rules around delegated reporting to provide a safe harbour from liability if certain conditions are met; and requiring certain larger oversee subsidiaries of Australian financial entities to report transactions.

readmore p2

Players team up for new industry hub

Continued from page 1

David Crawford, executive vice president and head of global transaction banking services at State Street, said: “We are pleased to be a founder of Clarient and to work together with DTCC, our co-founders and other industry participants as Clarient entity Hub is built and delivered.”

“The client onboarding process has long been a challenge market participants worldwide, and we look forward to a collaboration that will enable us to bring the optimal solution to the industry.”

ASIC seek feedback on OTC reporting changes

Continued from page 1

ASIC commissioner Cathie Armour said: “ASIC is continuing to respond to stakeholder feedback and is taking steps to refine the reporting regime to reduce the regulatory burden, especially for small financial entities.”

“We have sought to do this while ensuring that the underlying goals of the G20 OTC derivatives commitments, to improve the integrity and stability of the OTC derivative markets, are met.”

“These rule changes, and the delay to phase three reporting we recently finalised, will result in a substantial overall deregulatory benefit for industry. We look forward to receiving stakeholders’ views on the proposed rule changes.”

Warsaw office expanded for Bravura

Bravura Solution is relocating its Polish team to a new, larger office in Warsaw due to company growth.

The Warsaw office is one of eight global research and development centres of excellence that serves as a development hub for Bravura’s Europe, Middle East and Africa operations.

Since opening in 2008, the Polish operations have doubled in size and plans are in place to continue hiring over the next year. The increase team will also be able to extend the solutions Bravura is currently developing and supporting.

As demand increased for Bravura’s Sonata solution, the company is introducing new positions across India, the UK and Asia Pacific.

Martin Lawson, head of operations for Bravura, said: “We have grown our team in response to strong industry demand. Leasing a larger office space both demonstrates and strengthens our commitment to the EMEA region by further enhancing our technical, capital and development capabilities.”

Bravura CEO Tony Klim said the Warsaw office has “proven its value” over the past years: “The city is a development hub for our EMEA operations due to its reputation as a centre for business and its ability to attract high calibre IT professionals.”

“We look forward to building on our success and setting the stage for Bravura to continue to expand and develop our business within the region.”

Trio launch EMIR compliant collateral solution

Confisio, Dion Global Solutions and Traiana have brought out a collateral valuation solution for multiple asset classes.

The solution will support asset classes in exchange-traded and over-the-counter derivatives and will build on Confisco’s European Market Infrastructure Regulation (EMIR) trade reporting collaboration with Traiana, ahead of the 11 August EMIR deadline.

It is an automated solution for clients reporting to the UnaVista Trade Repository (TR) as well as other TRs. Confisio will set up the automated generation and submission of the relevant reports and submit to UnaVista as well as generating reports and giving support for EMIR compliance.

Christodoulos Papadopoulos, CEO at Confisio, said: “We are delighted to be working with Dion and Traiana to launch this new service for our clients, which will ensure they are compliant with the latest EMIR regulations.”

“Our solution simplifies the reporting process in a cost effective way, while also giving clients the support they need right the way through the reporting process.”

Ralph Horne, CEO at Dion Global Solutions, added: “We look forward to working with Confisio and Traiana on this new market initiative.”

“In the current climate it is important that firms can seamlessly outsource their EMIR trade valuation reporting requirements.”

“This partnership allows financial institutions to focus on their core business and operate more effectively without the on going investment in, and maintenance of, legacy proprietary systems.”

Athena solution for CSL Stockbrokers

CSL Stockbrokers has gone live with the Athena IMS platform for order management, trading, operations and execution functions.

The solutions, from CYMBA Technologies, will enable straight through processing of all orders with a fully compliant and accurate workflow process.

The selection of Athena will provide CSL’s retail and institutional clients with benefits such as straight-through processing, real-time audit and reporting, and scalability and growth prospects.

Gboyega Balogun, managing director of CSL Stockbrokers, said: “We are excited about this partnership with CYMBA as it will enhance our international franchise whilst instilling international best practices to our local business.”

Karim Ali, managing partner and co-founder at CYMBA, said: “We are delighted that CSL [Stockbrokers has] selected Athena IMS as their key strategic front office platform.”

“Athena will further enable CSL [Stockbrokers] to maintain its lead position as one of the preeminent brokerage firms servicing the African market.”

“We have developed a very close relationship

ASTINBRIEF

with CSL [Stockbrokers] and we look forward to progressing this further.”

Canada continues with year-on-year growth

Pension assets have increased for a fourth successive quarter, according to the latest survey by RBC Investor & Treasury Services.

In its Q2 report for 2014, RBC Investor & Treasury Services’s defined benefit pension plans returned 3 percent, bringing the year-to-date results to nearly 8 percent.

Scott MacDonald, managing director of pensions for RBC Investor & Treasury Services, said: “While assets continue to gain momentum, we can also infer that liabilities have also increased as longer-term bond yields have come down.”

Canadian equity remained the top performing asset class as the S&P/TSX Composite Index gain 6.4 percent in the quarter and 12.9 percent year-to-date.

MacDonald added: “[Financials and energy] accounted for the bulk of the increase with energy leading the way as concerns over Iraq helped boost oil stocks.”

“Pensions kept pace with the index for the quarter but still lag by 0.2 percent year-to-date.”

Atreaus gets a 360 hedge fund view

Atreaus Capital has gone live with SunGard’s Hedge360 risk reporting service.

The service provides Atreaus with customised daily risk reports that give transparency to investors and integrated internal risk management to hedge funds.

The Hedge360 service is adding to Atreaus’s collection of SunGard services, which will add daily updates of value at risk (VaR), sensitivity and exposure limits.

Andrew Downes, COO of Atreaus, said: “Following implementation of the project we are already benefitting from SunGard’s in-depth risk expertise and are able to dedicate time to managing risk, rather than managing data, processes and infrastructure.”

“The managed service provides engineered market data and allows us to grow our reporting capabilities with ease. Interactive web dashboards provide an easy-to-use visual interface for analysing and attributing risk using a broad range of risk metrics including VaR, sensitivities and exposures.”

“SunGard is already known to us through our use of SunGard’s Front Arena and the expertise of the SunGard’s Hedge360 Risk reporting service team further strengthens the service we can provide to our clients.”

Dr Laurence Wormald, COO and head of research at SunGard, said: “Hedge funds today need to raise a higher proportion of assets from large financial organisations. As professional money managers, these investors demand institutional standards of risk reporting and risk management.”

“SunGard’s Hedge360 Risk Reporting Service helps maintain a competitive advantage for hedge funds that are looking to achieve institutional credibility, through a sound, scalable, stable operating model that stands up to scrutiny from investors and regulators.”

Clearstream’s riding high

Clearstream has recorded record highs in net revenue, despite a 2 percent dip in Deutsche Börse’s Q2 results for 2014.

In total, Deutsche Börse’s new revenue amounted to €488.4million, with cash deposits falling to €10.4 million due to low interest rates.

The report suggests the increase in Clearstream revenue compensated for the decline in net revenue for Eurex.

Gregor Pottmeyer, Deutsche Börse’s CFO and executive board member for human resources, said: “[Q2] results were negatively impacted by the low equity market volatility and extremely low interest rates, although the group was able to offset this in part with new record highs recorded by Clearstream and the positive development seen in the market data and services segment.”

“The company’s diversified business model means that its earning power remains strong even in periods of low volatility, and it considers itself in a good position to meet its objectives for 2014.”

BNY Mellon to keep the US EMIR compliant

BNY Mellon will provide European Market Infrastructure Regulation (EMIR) compliant clearing and custody services for US treasuries within the Nasdaq OMX Group's new clearing business.

The mandate increases BNY Mellon's existing relationship with Nasdaq OMX, having been made a cash settlement bank in 2013, and secures BNY Mellon's place as a leading custodial service providers to central counterparties.

Johan Rudén, head of global post-trade at Nasdaq OMX, said: "BNY Mellon demonstrated to us that it has the market position and experience in the US treasury market required to provide effective clearing and custody support."

"The company has proven its commitment to providing excellent service to us and our clients. BNY Mellon's support will be invaluable as we build our market position following the launch later this year."

Scott Coey, head of broker-dealer services for Europe, the Middle East and Africa at BNY Mellon, said: "The changes brought about by Dodd-Frank and EMIR have created a pressing need for the industry to identify and implement solutions to manage liquidity and reduce costs."

"Nasdaq OMX Clearing's decision to expand our valued relationship to include our comprehensive clearing and custody solutions illustrates the depth of support and expertise we can offer our clients across the investment lifecycle."

SimCorp's transparent asset dashboard

SimCorp has introduced the Asset Services Dashboards and Alerts visuals that reflect a real-time overview of asset-servicing metrics and areas requiring attention.

Clients using the dashboards will benefit from reduced operational cost and risk, with greater transparency and improved efficiency.

SimCorp's dashboard solution can be personalised and can give an overview of any part of a company to the user.

Anders Kirkeby, global domain manager for system architecture at SimCorp, said: "Our clients will benefit from the improved transparency of their asset-servicing workflows."

"With an easy-to-use overview, the ability to identify and address any issue will save them time and enhance their ability to make fast and informed decisions."

"In addition, the heavy task of internally developing and maintaining bespoke dashboard solutions is eliminated, thus freeing up resources and saving on costs."

SWIFT shows challenges of intraday liquidity reporting

SWIFT has released a new whitepaper on the challenges of managing intraday liquidity reporting against the backdrop of evolving regulatory requirements.

The paper, Intraday Liquidity Reporting—The Case for a Pragmatic, focuses on a set of quantitative monitoring tools published by the Basel Committee on Banking Supervision (BCBS) in collaboration with the Committee on Payment and Settlement Systems in April 2013.

The monitoring tools mandated by the BCBS require banks to assemble the necessary data to ensure the effective monitoring of banks' intraday liquidity risk and the ability to meet payment and settlement obligations on a timely basis.

The BCBS wants banks to start using the monitoring tools for reporting in January 2015, with full implementation by January 2017, though implementation depends upon the regulatory mandate at the national level.

Catherine Banneuz, senior market manager for banking at SWIFT, commented: "Progress needs to accelerate in order for banks to be ready for BCBS reporting."

The requirements will be a challenge to financial institutions as the demands for data on liquidity flows, rather than balance sheets, will require significant changes to banks' existing data models and processes.

As the reporting will need to be done at both a global and local entity level, data aggregation will require the mapping between the legal entity identifier and the bank's related operational codes.

Wim Raymaekers, head of banking and treasury markets at SWIFT, added: "Banks need to make a pragmatic approach to the BCBS reporting. There is a fair amount of uncertainty about the reporting requirements across jurisdictions."

"While that is being ironed-out, banks should start preparing to be leveraging the infrastructure and data formats they already have in place to feed their central intraday liquidity transaction database."

SWIFT is also preparing a new one-day lecture stream, Sibos University, which will be debuting at the Boston conference.

The stream focuses on research and insights from academics from Havard, MIT, Bentley and other universities, giving 30-minute lectures.

The lectures will range in topic from data privacy, big data, mobile money, regulation, women in finance and financial inclusion.

Participants in the Sibos University will include Michael Barrett from University of Cambridge, Susan Christoffersen from University of Toronto, Andrei Kirilenko from MIT and many more.

The stream will take place on the opening day of Sibos 2014, 29 September.

Making AIFMD as Eze as 1, 2, 3

Eze Software Group has expanded its Regulatory Filings Manager software to support the Alternative Investment Fund Managers Directive (AIFMD) Annex IV filings.

The update will allow clients to improve the functionality of the reporting solution to generate reports in accordance with the compliance deadlines of AIFMD.

Under AIFMD, funds need to provide supervisory authorities with detailed investment data on a quarterly or bi-annual basis for increased transparency into funds' activity.

The software streamlines and automates complex AIFMD filing processes with a centralised and scalable data management solution that provides a repository for storing multiple filings with version control.

Phil Christianson, associate director of product management at Eze Software, said: "AIFMD represents another large, complex filing that requires our clients to pull relevant data from multiple data sources across historical time periods."

"Contrary to previous filings, AIFMD requires clients to re-evaluate, recalculate, and reformat that data to correspond with European Securities Markets Authority reporting guidelines. The flexibility and extensibility of our technology framework allowed us to react quickly to these new regulations."

"We have enhanced the capabilities of Regulatory Filings Manager to help our clients meet these new reporting requirements, while also benefiting from flexible and intuitive workflow management tools that ensure efficient compliance, risk management and data governance."

Michael Hutner, senior managing director and co-head of global sales for Eze Software, added: "Our AIFMD solution is a natural extension of all that we have learned in helping our clients file Form PF and CPO-PQR."

"Regulatory Filing Manager is able to efficiently aggregate, consolidate and map key data points from the clients' systems to help them effectively draft filings. This is just one example of our dedication as a company to the continued development of our front-to-back platform to meet the unique needs of our clients."

CSSF reports deadline-day AIFM applications

Luxembourg's Commission de Surveillance du Secteur Financie (CSSF) had received 773 applications for authorisation and registration as alternative investment fund managers under AIFMD.

As of 22 July, the CSSF had received 215 requests for authorisation and 558 requests for registration.

Out of the 215 requests, 151 entities have been approved as alternative investment fund managers from the 22 July deadline.

According to the CSSF, those that are still awaiting authorisation are linked to entities, which were not active in the field of alternative investment funds before 22 July 2013 and are not subject to the provisions of the transactional period.

In relation to the 215 requests, 105 were from existing UCITS management companies, 48 from non-UCITS management companies and 62 from other existing or newly created entities.

A total of 487 entities have been granted the status of registered alternative investment fund manager as of 22 July. The remaining 71 applications for registration were either incomplete as of the deadline or have been withdrawn by the applicant.

Existing non-UCITS management companies that have not applied for authorisation or registration in Luxembourg have designated, or are in the process of designating, a third-party alternative investment fund manager established within the EU.

Omgeo and UnaVista partner up

Omgeo has entered partnership with London Stock Exchange Group's (LSEG) UnaVista to support triparty matching of synthetic equity swaps between executing brokers, prime brokers and investment managers.

The offering links UnaVista with Central Trade Manager (CTM), Omgeo's platform for the central matching of cross-border and domestic equity, fixed income, repos, exchange-traded derivative and equity swaps transactions.

The Omgeo CTM/UnaVista partnership combines the respective workflows of the two platforms, automatically connecting investment managers on Omgeo CTM with their prime broker counterparties on UnaVista to match the economic details of the swap, and to communicate and match allocation breakdowns.

In addition to UnaVista's existing prime brokers and executing brokers, the integrated solution allows executing brokers already on Omgeo CTM to use their existing interface to deliver the give-up to the prime broker.

The combined workflow also provides investment managers with new insights into the give-up status of swaps trades and allows them to view all of their transactions within the Omgeo CTM environment. The solution currently supports any swap with an equity underlier.

The service also enables parties to match both legs of the trade on T+0 while providing additional consistency across equities and equity swaps for investment managers.

Mark Husler, global head of product management at LSEG, commented, "This new partnership allows us to combine Omgeo's buy-side network with UnaVista's prime broker network, providing one of the largest [contract for difference] communities on the market."

State Street has strong Q2 earnings

State Street has reported a "solid" Q2 for 2014 with asset servicing and asset management revenue up 7 percent from Q2 2013.

The revenue for its assets sector totalled at $2.68 billion, with new business wins for asset servicing coming in at $250 billion and $18 billion in net for new assets to be managed.

Joseph Hooley, chairman of State Street, said: "We are pleased with our solid Q2 revenue growth driven by stronger global and equity markets, net new business and the seasonal benefit from securities finance activity."

"We continue to see strong demand for our products and services as evidenced by our second quarter new business wins which were $250 billion in asset servicing and $18 billion in net new assets to be managed. We also have a robust and well-diversified new business pipeline."

"Despite our solid performance, we remain cautious about the overall environment given the continued low levels of interest rates and volatility, and the on going pressure of regulatory compliance costs."

SGX liaises in India

Singapore Exchange has opened a liaison office in India.

The office, which will be run by SGX chief representative Neena Parsad, will provide information and act as a communication channel to support raising capital, through listings of stocks, bonds, business trusts and/or depository receipts, by Indian companies in Singapore.

Magnus Böcker, CEO of SGX, said: "The opening of our India office re-affirms SGX's long-standing commitment to India."

The new office will also build on SGX's relationship with the National Stock Exchange of India (NSE), which began in 2000 when both firms collaborated to develop the international futures market.

In 2007, SGX took a 5 percent minority stake in the Bombay Stock Exchange (BSE).

"As a stakeholder in BSE, we will support the exchange by bringing efficiency with new initiatives and IPOs," said Böcker.

"Our India office will enable us to better support Indian enterprises seeking to raise capital. We look forward to working with partners in India to assist companies in reaching out to the international investment community."

Chapman's Eye on the market

Self-defence is nature's eldest law

They say there are various things in life which you should never try doing. This list begins with incest and Morris dancing and goes through never eating yellow snow or buying a car in the dark (don't ask, it's a long story). Historically, London has also had its rules and guidelines, from the ancient putting out of Christmas gift turkeys down St Swithin's Lane to never wearing three stripes—tie, shirt and suit—the traditional punishment for which was snipping off half of the offender's tie.

One other even more serious rule was 'never sue your employer', whatever they may have done to you. This was based on the principle that, as financial services is so hugely and globally inter-connected, if someone gained a reputation as a serial litigator, it would severely restrict their chances of future employment, even if they moved to Asia to become 'filth' (Failed In London, Trying Hong Kong). A reputation tends to follow you via the informal, underground network of contacts and unrecorded background checks, many of which still take place to this day. However, this rule has fallen by the wayside and nowadays it is par for the course that if someone feels they have been wronged then almost the first course of action is to proceed to using legal means of recourse.

The reasons for this change are multiple. Firstly, the lack of any union representation means that individuals feel that they are 'on their own' against major corporations and need to bring in the big guns to assist them. Secondly, the figures involved are increasingly significant, sometimes many multiples of a person's annual salary and so the upside of a win can make the gamble worthwhile. Thirdly, firms are increasingly paranoid about reputation management, with respect to both clients and staff, to what they project as being a familial and moral working environment. Fourthly, as business pressures mount on companies and their employees, certain unprofessional, knee-jerk and badly thought-through decisions are being made by management all the way up the line, which any decent lawyer can pounce upon to gain restitution.

Finally, I do believe that the overall 'zeitgeist' of the city has changed over the years. Writing as someone who has been working in London since the late 1980s, I can certainly say that I've seen attitudes change—and harden—since that time and what was acceptable then, be it involving alcohol, verbal or physical actions, are strictly forbidden and frowned upon now. Unfortunately, some people haven't moved with the times or have an arrogance regarding not being found out or called to account, which has resulted in legal action and the subsequent premature ending of careers.

As I said, a contentious issue which I'm happy to continue offline via paul@hornbychapman.com

Paul Chapman, managing director, HornbyChapman Ltd

BNP Paribas Securities Services has been awarded a €180 billion pan-European mandate from the Generali Group.

As part of the mandate, BNP Paribas Securities will provide global custody services for Generali's €130 billion portfolio of direct insurance assets held in Europe.

BNP Paribas Securities will also provide fund administration and depository banking services for Generali's funds in France, Germany, Italy and Luxembourg, which have assets totalling €50 billion.

Dominique Clair, COO of Generali Investments Europe, said: "The appointment of a global custodian is an important step in the restructuring of our asset management operations."

"Following a competitive process, we are very pleased to have chosen BNP Paribas Securities Services as our partner. Their excellent track record and in-depth local expertise will be much valued as we continue to centralise and upgrade our processes."

Patrick Colle, general manager of BNP Paribas Securities Services, said: "This is a prestigious mandate, which consolidates our position as one of the top custody and depository banks for insurance companies and asset owners."

"Generali will benefit from our global footprint and local expertise as they continue to pursue operational excellence and expand their capabilities. We are delighted to be working with such a world-class institution and look forward to further cooperation."

Societe Generale Securities Services in Luxembourg has been mandated by Bedrock to provide custody, fund administration and registrar services for its range of UCITS funds.

The firm was selected for its capacity to provide innovative solutions, adapted to the latest regulatory changes in the financial markets, which meet asset managers' specific operational requirements and allow them to concentrate on their core business.

Bedrock is a European wealth manager with offices in Geneva, London and Monaco.

It offers investment solutions for private investors and institutions that are created to meet clients' individual, and often complex, requirements.

The team of investment professionals, which is in excess of 70, currently oversees more than $6 billion of AUM for its clients.

Bank J. Van Breda & C° has chosen **ABN AMRO Clearing** as its general clearing counterparty for OTC derivatives transactions.

The OTC transactions will include interest rate swaps (IRS) ahead of the new European Market Infrastructure Regulation obligations requiring centralised clearing of these transactions.

Peter Devlies, CFO and member of the board at Bank J. Van Breda & C°, said: "We always aim to be at the forefront when new regulation needs to be implemented."

"This pro-active adoption of central clearing for IRS contracts is a testimony of our ambition to always have solutions in place well in time, such that we are properly compliant as of when rules become mandatory."

Geert Vanderbeke, executive director of ABN AMRO Clearing, said: "It is meaningful that a bank with the standing of Bank J. Van Breda & C° has selected ABN AMRO Clearing to help fulfil its regulatory obligations."

"We are very pleased and look forward to welcoming a dynamic and well established partner as our client."

Citi has received a new mandate from Nedgroup Investments to provide a full range of investor services for the Nedgroup Investment Funds.

The Nedgroup Investments Funds recently became an authorised Irish-domiciled UCITS fund and the new mandate will see Citi provide trustee, custody and fund administration services.

Citi will continue to prove an integrated range on investor services for the Nedgroup Investments MultiFunds, which are also domiciled in Ireland.

Pat Curtin, head of global fund services for Citi, said: "We are delighted to expand our existing relationship with Nedgroup Investments."

"This new mandate is further testament to the strength of our investor services platform and we look forward to leveraging our UCITS expertise as well as the breadth of Citi's proprietary network to support Nedgroup Investments' growth objectives and distribution needs."

Andrew Lodge, managing director of Nedgroup Investments, added: "As our UCITS product offering continues to grow, we are pleased to gain further efficiency by consolidating our assets with a single fund service provider."

"We are confident that Citi's scalable platform will help support our expansion plans while maximising returns for our investors." **AST**

New group on the block

SS&C Technologies has introduced a new REIT service, an attractive asset class for investors, says Tim Reilly

CATHERINE VAN DE STOUWE REPORTS

How is SS&C Technologies faring?

SS&C Technologies is a publicly traded company and we are approaching an annual run rate of over $750 million in revenue. The business is focused in two discrete areas: we have the hedge fund business, which provides fund administration, and the institutional business, which services asset managers, wealth managers, insurance companies, real estate investment trusts (REITs), pension funds and other institutional corporate clients.

Virtually all of our services are in some fashion related to investment management and the investment lifecycle in terms of front-, middle- and back-office services. Even though the majority of our revenues are recurring revenues, we are a large software company that provides software as a service.

How lucrative is the REIT market, and how well serviced is it?

There are two aspects to the REIT market: there are equity REITs, which own physical real estate, and there are mortgage REITs, which essentially own securities or loans. There is also hybrid REITs that own both securities as well as the hard real estate.

We have had a presence in that marketplace for some time. SS&C has a software product for property management, but we also have a lot of our technology devoted to complex financial instruments. However, in the last two years, and accelerated in the last 12 months, we've taken a very sharp focus on the mortgage REIT space. The reason for that is that mortgage REITs have been increasing in popularity. If you were to look at many of their trends or performance you will see they have been increasing in number and size. A number of our existing clients are either asset managers for mortgage REITs or they're large shareholders. Given the number of existing outsourcing services and software products that we provide to mortgage REITs, SS&C made the decision to form a dedicated group for the services and we are expecting the group to double in size over the next 18 months.

REITs are very complex. The mortgage REITs invest in mortgage bonds or loans and use complex hedging strategies. They borrow on a short-term basis, buy on a long term-basis and they use sizable leverage to gain profit margin on the gap in the interest rates.

Most of the companies are public companies, so the primary value proposition of our services to the mortgage REIT is to be sure that it is getting timely and accurate financial reporting. Companies are less focused on the cost of the underlying services, rather they're paying for the expertise and the quality of the software/service.

Why has SS&C decided to launch a REIT servicing group?

It really was a natural extension of what we were already doing. On the buy side of the mortgage REIT, a lot of our investment software was already focused. We very much try to differentiate ourselves in that we support very complex asset classes and, as REITs invest in such classes, they are a natural extension for us.

On the equity REIT side, we had the existing property management software that we've had in place for a long time. It was really the combination of that as well as the fact that SS&C also has a lot of dedicated accounting and tax expertise inside the company, which, when you combine with the complexity of the software and the accounting and tax expertise into a bundled service, is where it made a lot of sense for us to follow this market.

Mortgage REITs invest in bonds, but these entities trade like equities and this is being viewed as a very attractive asset class right now. They've had very strong performances in 2013 and they've had a very strong performance year-to-date in 2014. They are complex yet they are performing very well. There is quite a bit in the press about looking to mortgage REITs as alternative investment vehicles because they leverage the short-term/long-term borrowing derivatives strategies and they utilise sizable leverage, too.

What services do REITs require, and why?

A very high percentage of these companies are public registrants, so when you look to what the public registrant require, they are looking for us to provide the majority of their underlying financial reporting requirements. They also have very complex tax structures. These are pass through tax entities, and companies are striving to avoid double taxation so we provide them a tax service. Given the complexity of the securities, there are security valuation services that we provide, as well as a lot of the traditional outsourced services with respect to data gathering, reconciliation, and so on.

What is the reason for REITs relying on manual processing?

Because mortgage REITs use unique complex hybrid structures and invest in complex securities, there is not a lot of software out there that could support what these entities are doing. As a result, a lot of these companies have built their own spreadsheets or have done a lot of their own customised software development.

One of the consistent requests is that they're in search of timely, accurate financial reporting that is also very well controlled. The reason for the very well controlled part is they are all public companies, all heavily regulated from a financial reporting perspective, and when you are relying on manual spreadsheets or electronic spreadsheets, you're likely by definition to not be in a well-controlled environment. There is a lot of push on REITs from their external auditors to implement more sophisticated software solutions, which is where we come into play.

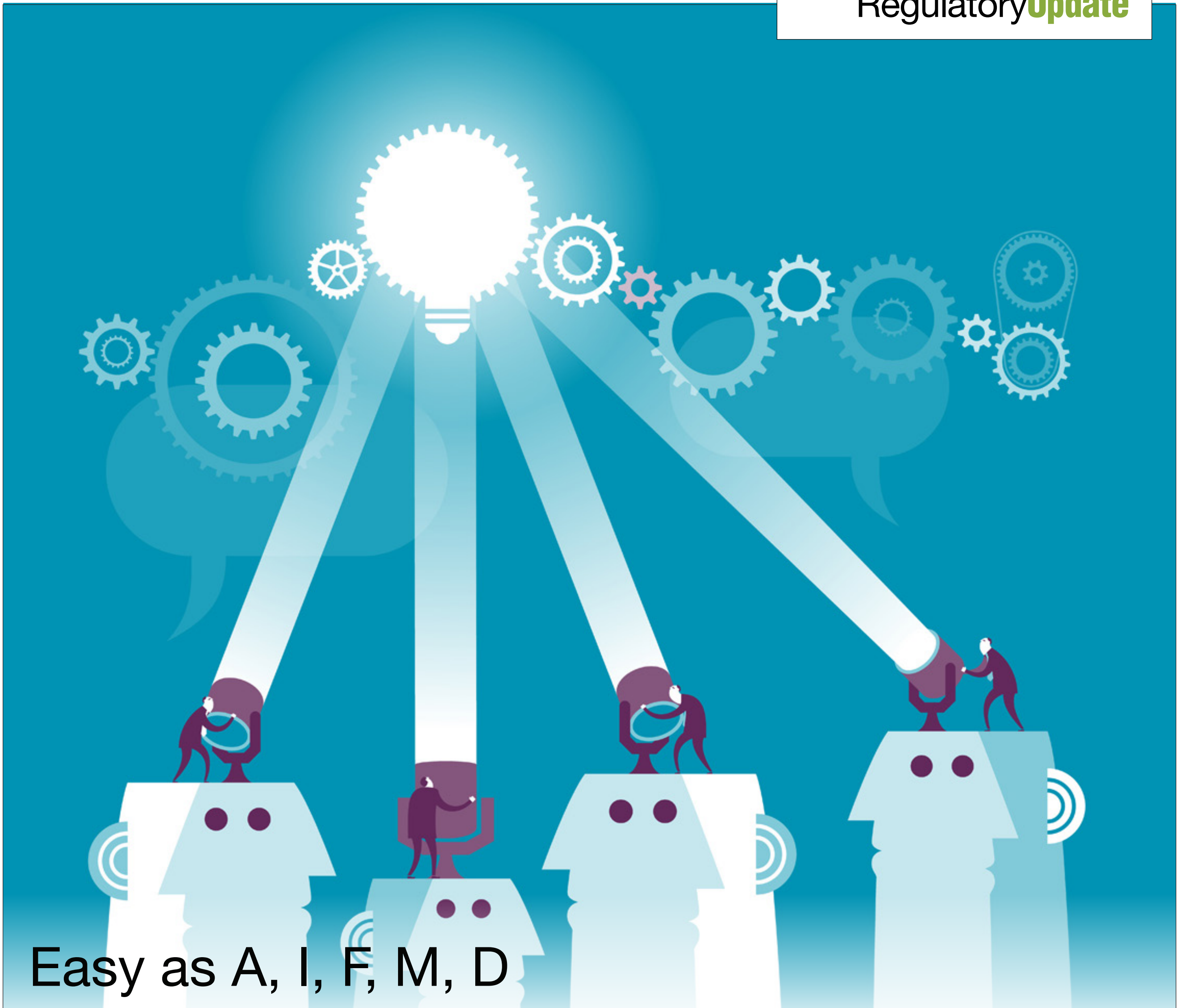
That really is what we are doing in all these relationships, whether these are outsourced services or whether the REITs decide to buy their own licenced products, we are providing the sophisticated software and expertise. What they're doing in many instances is scrapping entirely what they've done internally, much of which is home developed, and replacing it with a true software product.

What other services will the group provide to REIT clients?

REITs are complex environments. SS&C often comes in to replace entire systems. One of the things that we do very often is overall operational assessments—what are the process flows, how are they processing securities, how are they managing their portfolios—we also do financial process improvement, which is, again, organisational evaluations. Typically, these evaluations are primarily with the CFO organisation, chief investment officer or chief technology officer.

We also do a lot of discrete investment, accounting and evaluation of financial instruments focusing on the accounting and tax aspects of those. As you would expect with any entity that has a very large portfolio, there is going to be other things that they are going to be looking for, such as straight-through processing solutions for trade management or portfolio performance solutions. **AST**

Tim Reilly
Senior vice president—institutional and investment management
SS&C Technologies



Easy as A, I, F, M, D

With the AIFMD deadline passing in July, Multifonds's Keith Hale discusses why the directive is the way forward for alternative investment funds

CATHERINE VAN DE STOUWE REPORTS

What has made AIFMD an attractive regulation?

Over the last 10 years, we have seen the two worlds of traditional and alternative funds converging, driven by changing investor demands. Institutional investors are now increasing their hedge fund and alternative allocations to get access to strategies and performance they've not had previously, but the increased levels of risk management, governance, transparency and liquidity are far more akin to a traditional fund, resulting in hedge funds becoming much more like long-only funds.

At the same time, retail investor demand for absolute return funds means that long-only funds are taking on alternative characteristics as they start to use long/short strategies and hedge fund methodologies to achieve better returns. Regulations such as the Alternative Investment Fund Managers Directive (AIFMD) and the US Dodd-Frank Act have been additional catalysts for this. With AIFMD, regulators have taken the ethos of UCITS and applied it to alternative funds—managers can now take an alternative fund, domicile it in the UK, for example, and market it to investors across Europe using the fund passport without having to register it in every location. AIFMD presents a massive opportunity for fund managers and investors alike.

From a Multifonds perspective, we are seeing increasing evidence of this convergence across our client base, primarily from fund administrators as they seek to service both long-only and alternatives efficiently and cost effectively on behalf of their clients, the fund managers. We have seen the industry changing on the back of this convergence theme, and for us, that has been good as we are well placed to support both sides, as our software already supports alternatives.

However, despite optimism over the future of AIFMD, challenges do remain. Our latest research on AIFMD, conducted earlier this year, showed that the largest outstanding issue for the industry at the moment is reporting. About 60 percent of the data comes from fund administration systems such as ours, but that's only part of it. This data then needs to be aggregated together with additional investor and risk data, signed off by the administrator and the fund manager, and then the fund manager has to send it to the home regulator. Depending on how frequently you publish your numbers, it requires a considerable effort to get all that data together, check it, validate it and then send it out. We are just a part of that process, collecting and distributing the data down to clients.

Will the regulation change considering 66 percent are finding reporting a challenge?

AIFMD is a year old, so new funds should already be registered as alternative investment funds. The 22 July deadline was for existing funds to be transposed. Once they're transposed, they'll have to report to the AIFMD standards. Should they choose not to go down the alternative investment fund route, the other option for Europe is to use private placement, but some countries are trying to restrict that route. The UK, for example, is keeping private placements for now, but most alternative managers will probably go down the alternative investment fund route eventually in the EU. It's likely to become a binary option for funds (alternative and mutual): they either become an alternative investment fund or a UCITS.

Will trading with those who decide not to be AIFMD registered become more complicated?

Theoretically, non-AIFMD registered funds cannot market their alternative funds around Europe. However, the number of countries that will allow private placement is reducing and country-after-country are replacing private replacement with alternative investment funds over time. There's still going to be hedge funds domiciled in the Cayman Islands, selling to investors outside the EU who won't be interested in alternative investment funds, but in Europe alternative funds' choice is to either stay with private placement where they exist or follow the alternative investment fund route when private placement is no longer an option. Interestingly, in our recent AIFMD survey, the majority of respondents didn't expect the directive to replace private placement any time soon, only 26 percent of respondents expected member states to remove the private placement regime earlier than 2018.

Would AIFMD make trading within the whole of Europe easier, if you are offshore?

That's the upside. Say you are a US manager with a Cayman or Delaware structure and you would like to market to investors in Europe, you could domicile the fund in Dublin, Luxembourg or perhaps even the UK, and then distribute that same fund to any of the AIFMD participating countries. So for example, you can sell in Germany, even if the funds are domiciled in another country. This is likely to be a big draw for offshore managers coming onshore to set themselves up as an alternative investment fund.

> "Under AIFMD, you can sell in Germany, even if the funds are domiciled in another country. This is likely to be a big draw for offshore managers coming onshore to set themselves up as an alternative investment fund"

Eighty-two percent of respondents to our survey said that non-EU managers will set up operations in Europe to take advantage of AIFMD. It will be interesting to see how much take-up actually happens. In the near-term, I suspect most of the activity will come from the existing funds transposing into alternative investment funds so that they can immediately be distributed around Europe.

AIFMD has been live for a year—has Multifonds been coping?

The impact of AIFMD for us is purely one of data delivery—all the functionality and processing is already in place. We've worked with a couple of reporting vendors and with our clients to help them get the required data out of our system and into the aggregated reports. Other aspects, such as depository liability, don't have a direct impact.

The Foreign Account Tax Compliance Act (FATCA) had a much bigger functional impact on us in terms of what we need to deliver to our transfer agency clients, as it directly affects the way you do anti-money laundering checking on clients, to see if they are a US resident or not and should be included for US tax purposes. We have worked with our clients and built a lot of functionality into the system to make it as easy as possible for them to categorise, scan and flag up any US residents invested in funds.

On top of FATCA, are there any other regulations you've had to incorporate into your software?

We have to keep an eye on the constantly evolving regulations along with our clients. Our client base is composed mainly of the global fund administrators and a large part of what they have had to deal with over the last six to seven years is the impact of regulatory change on behalf of their clients. When we know changes require extensive modifications, such as FATCA and German tax, we've hosted client focus groups and employed specialist consultant firms to help us understand the specificities of what needs to be done to make our software compliant.

In terms of our development, regulatory change is always top of the list—we focus around 14,000 man-hours on development and approximately a third goes on regulatory updates. With all the recent changes, we think our platform is now well positioned with the major regulatory-driven initiatives.

Aside from ongoing regulation, do you think there are any challenges coming up for AIFMD?

Reporting is the biggest challenge for AIFMD. It will be interesting to see the take up of AIFMD and how many choose to go down the directive route or stay with private placement structures. A fund manager could look at the strategy its running and think: "I can make my fund into a UCITS fund instead, which has more controls and more restricted assets, but get access to a bigger market and a wider distribution network." This would have a detrimental effect on AIFMD. But in practical terms in the coming years for alternative investment funds, I expect good, relatively low cost and light regulation for the alternative industry will continue.

Investors will see this as a positive step and so AIFMD could potentially grow in the same way as UCITS and become a new global standard like UCITS did for mutual funds. The challenge is making sure the regulation and the costs are not too high to make it unattractive. In our research last year, industry participants estimated depository costs would be between 5 and 25 basis points. This year, we've uncovered that depository costs are much nearer 2.5 basis points, which means tapping into this market is seen as worthwhile investment. **AST**

Keith Hale
Executive vice president, client and business development
Multifonds

In everyone's interest

Noah Wortman of Goal Group analyses Israel's Class Action Law

Class actions have been permitted in Israel since the late 1980s. However, prior to 2006, class actions were only permitted via specific legislation governing a particular area of the law tool (the Consumer Protection Law, 5741-1981, the Companies Law, 5759-1999, the Antitrust Law, 5748-1988 and others), and under a regulation relating to group claims that was viewed as procedural ground for the class action mechanism.

As result, there was no uniformity in the language regulating class actions from one set of laws to the next. Additionally, Rule 29 of the Civil Procedure Regulations (5744-1984), permitted class actions based on "general" causes (ie, tort law, contract law or unjust enrichment). On 1 October 2005, the Israeli Supreme Court issued a landmark decision in which it determined that Regulation 29 cannot serve as a basis for class actions for any area of law in the absence of specific express provision of the law.

The Israeli Supreme Court's judgement in the Eshet Project Management and Manpower case accelerated the legislative process of the Israeli parliament to finalise the legislation of a new class action law. On 12 March 2006, the Class Action Law, (5766-2006) was passed by the Israeli parliament. The Class Action Law replaced all provisions in the various laws that had previously allowed the filing of class actions and set new and comprehensive rules for the filing and handling of class actions in Israel.

The first noticeable effect of the Class Action Law was the rush of consumer class action filings. Consumers of products filed claims against the manufacturers and/or suppliers of products that allegedly misled the consumers by the dissemination of false, misleading or only partial information concerning the product in question. Additionally, there are also, generally, five different types of securities class action categories in Israel. They include, but are not limited to, securities fraud class actions.

Israeli securities fraud class actions tend to be filed by shareholders or bondholders of a company alleging that its prospectus and/or the financial report relied on to purchase the company's shares or bonds was false and/or misleading. These types of cases are brought pursuant to the Israeli Securities Act (5728-1968), which stipulates that all those who signed the prospectus and/or the company's financial reports, including its directors, officers, and underwriters, as well as controlling shareholders, are all liable for the misleading information contained in the prospectus and/or financial reports.

The worldwide financial crisis led to an increasing number of securities claims being filed due to allegedly false and/or misleading information contained in different companies' prospectuses and/or financial reports.

For these cases to progress and be certified as class actions they needed to meet the heightened standards set by the Israeli courts in precedential cases such as Tezet v Zilbershatz, where the Israeli Supreme Court determined that in order for a securities fraud claim to be certified as a class action, plaintiffs must show that they allegedly suffered losses as a result of the misleading details contained in the prospectus and that a causal link exists between the allegedly misleading information contained in the prospectus and the alleged loss.

In reaction to the increased scrutiny and number of financial related claims filed in the wake of the worldwide financial crisis, on 15 December 2010, the Israelis Courts Law (5744-1984) was amended and it included the establishment of a financial department in the Tel Aviv District Court (the Financial Court), which was inspired by the Delaware Court of Chancery operating since 1792 in the US, which deals largely with corporate issues and is responsible for developing the case law on corporate matters.

The goal of the Financial Court is to provide a specialised tribunal for financial cases, both civil and criminal, which will be decided by a team of three financial-oriented judges nominated by the president of the Supreme Court, in consultation with the presidents of the district courts.

The Financial Court focuses mainly on financial cases arising from both Israeli securities laws and the Israel Companies Law, and it has exclusive jurisdiction in the following matters: indictments regarding offenses under the Securities Law, most civil cases regarding the Companies Law and the Securities Law, including derivative claims and class actions, administrative appeals against the Israel Securities Authority, the Tel Aviv Stock Exchange and the Registrar of Companies, and appeals on resolutions of the discipline committee under the Investment Advisors Law (5755-1995).

The Class Action Law is intended, primarily, for situations where a large corporation injures a group of people, in such a manner that each individual suffers small damage, which would not justify the filing of an individual claim. However, the aggregate damage to the injured parties is extensive. Therefore the class action mechanism allows for consolidation of all the injured parties and created an incentive for filing the lawsuit.

As result, the Class Action Law is not only an important tool for enhancing the enforcement of rights, but has an equally important deterrent effect because of the cumulative nature of the class action claim. Moreover, it is particularly important in areas where there is no adequate enforcement and the administrative supervision is also lacking. Thus, the Class Action Law not only serves the private interest of injured parties, but also the social/public interest. **AST**

Noah Wortman
Director of global business development
Goal Group

RiskMinds Risk & Regulation Forum 2014

Date: 22–25 September 2014
Location: Barcelona
www.riskmindsregulation.com/FKN2423ASTW

The RiskMinds Risk & Regulation Forum is the meeting place for 250+ CROs, global Supervisors, renowned Academics and expert industry Practitioners to meet and discuss the key issues in risk management and financial regulation across the banking, insurance and asset management industries

Sibos 2014

Date: 29 September–2 October 2014
Location: Boston
www.sibos.com/conference/about-conference

The Sibos conference offers you the opportunity to engage with leading financial industry figures to debate the latest developments and trends. This year's conference programme addresses key industry issues in a variety of sessions such as plenaries, big issue debates, keynote addresses, panel discussions and special interest sessions

NeMa Americas 2014

Date: 28–29 October 2014
Location: Miami
www.icbi-events.com/FKP2365ASTWB

NeMa Americas will bring together 150+ CSDs, custodians, brokers and exchanges from across both North and South America to address the critical issues including regulation, cost cutting, risk management and innovative strategies. Do not miss this opportunity to find out from your peers, both on and off the record, how to survive and excel beyond 2014...

Industry appointments

In a surprise move, BATS Global Markets (BATS) president **William O'Brien** has left the exchange operator, it has confirmed.

A short statement revealed that CEO Joe Ratterman will take on O'Brien's responsibilities.

Ratterman joined BATS in 2005 as a founding employee. He previously held the CEO and president roles through 2007 to 2014.

The executive management team will remain unchanged and will report to Ratterman.

GreySpark Parnters has hired **Stephane Lannoy**, who joins as managing consultant for the firm's pre-trade risk control practice in Hong Kong.

Lannoy will work with banks and securities firms in the Asia Pacific region to assess existing controls applied to electronic trading execution systems and will advise clients on control improvements.

Fiona Le Poidevin has resigned as chief executive of Guernsey Finance.

She will leave in early 2015 to become chief executive at the Channel Islands Securities Exchange.

The Guernsey Finance board has already commenced the recruitment process to identify Le Poidevin's successor and the activity for the second half of the year is already planned, including visits to Asia and the Americas in the final few months of 2014.

Calypso Technology has appointed **Nat Natraj** as global head of sales and marketing.

Natraj, will oversee global sales and marketing for the technology company and report to Kishore Bopardikar, president and CEO of Calypso.

He joins from CA Technologies, where he served as executive vice president of worldwide field operations following the acquisition of Arcot Systems.

HSBC Securities Services has created a new head of product strategy role to push business in China.

Elaine Liu has joined HSBC Securities Services's Hong Kong office, where she will report to the global head of fund services, Ian Stephenson.

Liu is responsible for creating and developing HSBC Securities Services China products as the bank looks to new business opportunities in the country. She will also work closely with the regulatory bodies in and outside of China and oversee the design and maintenance of the associated business operating models.

She previously served as head of client relationship and China business development at State Street Global Services in Hong Kong.

Prior to this, Liu worked at BNY Mellon where she set up administration services for the bank's alternative investment services business in Hong Kong.

Global funds transaction network, Calastone, has recruited **James Colquhoun** as its new CFO.

Colquhoun is the former CFO of AOL's European operations. He joined AOL from goviral, the video distribution company, where he spent 18 months in the financial division.

He previously served at mobile-specialist company Mobile Stream as the group finance director, and Cinram as the European financial controller.

Societe Generale Securities Services has chosen **David Painter** as its new head of trustee and depository services in the UK.

Painter will launch and manage trustee and depository services in the UK for UCITS and alternative funds.

He will report to Bertrand Blanchard, UK country manager for the bank, and Michèle Besse, global head of depository control.

Painter has worked at Midland Bank Trust Company where he held roles in private client trusteeship and portfolio management. **AST**

ASSETSERVICINGTIMES

Editor: Mark Dugdale
markdugdale@assetservicingtimes.com
Tel: +44 (0)20 8663 9620

Reporter: Stephen Durham
stephendurham@assetservicingtimes.com
Tel: +44 (0)20 8663 9622

Reporter: Catherine Van de Stouwe
catherine@blackknightmedialtd.com
Tel: +44 (0)20 8663 9629

Editorial assistant: Tammy Facey
tammyfacey@blackknightmedialtd.com
Tel: +44 (0)20 8663 9649

Account manager: Serena Franklin
serenafranklin@assetservicingtimes.com
Tel: +44 (0)20 8663 9626

Publisher: Justin Lawson
justinlawson@assetservicingtimes.com
Tel: +44 (0)20 8663 9628

Published by Black Knight Media Ltd
Provident House, 6-20 Burrell Row,
Beckenham, BR3 1AT, UK