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Future is bright for Indian DRs

Indian corporates consider the US, Singapore and the UK to be the three most strategically important countries for new sources of investment in the next five years, according to a survey by BNY Mellon.

The survey said 92 percent of Indian corporates ranked the US as the number one country, with 89 percent putting Singapore second and 79 percent putting the UK in third.

In 2012, India topped the table as the most strategically important source of new investment.

Neil Atkins, BNY Mellon's Asia Pacific head of depository receipts, said: "While Indian companies continue to raise money at home, there has been an acute shift in their geographical outlook towards international investment."

"[When] Narendra Modi swept to power in India's general election in May [2014] on the promise of reviving the country's economy … India could be poised for economic and financial reform which could make it easier for Indian corporates to access competitively prized international capital."

The results of the survey suggest that the most important investor relations goal for companies in India over the next five years is to increase international shareholder ownership.

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ConvergEx employees in fraud storm

The former CEO and a former senior vice president of ConvergEx Global Markets (CGM) were indicted on 6 August in a federal court for allegedly concealing additional fees fraudulently charged to clients in connection with orders to buy and sell securities.

Anthony Blumberg of New Jersey and Craig Marshall of Bermuda allegedly concealed the fees as 'trading profits'. A federal grand jury returned an indictment charging both Blumberg and Marshall with securities fraud, wire fraud and conspiracy to commit securities and wire fraud.

In a separate action, the US Securities and Exchange Commission filed civil charges against Blumberg.

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Traiana supports post-trade Harmony

Traiana is launching the next generation of its post-trade cross-asset allocation, matching and confirmation service for buy- and sell-side firms.

Harmony Securities, is available across various products, including cash equities, equity swaps, corporate and government bonds, municipal bonds and treasury bills. The solution has also been designed to comply with upcoming regulatory changes, such as T+2 settlement.

The Harmony network has seen a booming growth between July 2013 and July 2014, with a 300 percent rise in the number of participants combined with a volume growth of over 1000 percent for equities and fixed income.

readmore p2

Future is bright for Indian DRs

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Atkins added: "Over-the-counter non-capital-raising depository receipts will soon be a new channel for Indian corporates … This development is timely and could be significant to a large share of Indian companies seeking to increase their international ownership and with investor sentiment toward India buoyant."

"We may see more Indian companies using depository receipts to access global markets in 2015", predicted Atkins.

BNP Paribas survey proves outsourcing is norm

A BNP Paribas and YouGov survey has found that strategic outsourcing is the new norm for middle- and back-office functions.

Eighty-six percent, nearly all of the 50 senior figures representing some of the UK's leading sell-side institutions, said they outsourced these functions to specialist providers, such as custodians.

The survey shows that the strategic need to focus on activities such as research and execution, and to protect against the effects of the market and regulatory change, are significantly more important than short-term cost efficiency.

A deciding factor is choosing a provider is not cost, but client service and product quality, found the survey.

UK head of sales and relationship management for banks and brokers at BNP Paribas Securities Services, Julien Kasparian, said: "The changes affecting out industry create more than simple cost concerns for our clients."

"They are facing the pressure of market change, a raft of new regulations and increasing technology costs. Providers of outsourcing need to be prepared to take on this burden for their clients, allowing them to focus on developing their core business; this is the way outsourcing can bring real value."

ConvergEx employees in fraud storm

Continued from page 1

Assistant attorney general Leslie Caldwell for the Department of Justice's criminal division, said: "The former CEO and a senior vice president of ConvergEx … have been in charged in connection with a scheme to bilk millions of dollars from clients, then conceal the fraud from their client victims."

According to the allegations, certain ConvergEx Group broker-dealers regularly routed securities orders to CGM in Bermuda so that it could take a mark-up or mark-down when executing orders.

Between 2007 and 2001, to hide the changed marks, Blumberg, Marshall and others allegedly sent false transaction reports to clients with fabricated details regarding the transactions executed during the course of a day to complete a client's orders.

The falsified reports included the number of shares involved in a transaction, the time at which the transaction was executed and the price the shares were either purchased or sold.

Previously filed court documents allege that CGM traders, including Marshall, created these false reports using exchange data from transactions entered into by others on the same trade date as the trades that had been executed by CGM on behalf of its clients.

Rather than providing the real-time data to clients, the data feed was turned off for sections of the order and mark-ups or mark-downs were made. On several occasions, when the client asked why the feed was not receiving real-time data, the client was told information technology problems were to blame.

Traiana supports post-trade Harmony

Continued from page 1

Harmony provides same-day cross-asset trade allocation, matching and confirmations via low latency processing that will give firms an increased flexibility in matching schema catering for all types of strategies, including combinations of cash and synthetic-equity allocations and many-to-many matching.

Co-founder and head of Europe, Middle East and Africa at Traiana, Roy Saadon, said: "The growth of our Harmony Securities network means our clients can now use one platform for their post-trade trading activity, across asset classes and across the global markets."

"By delivering same-day trade affirmation and trade matching, Harmony reduces both operational and counterparty risk as well as the risk of settlement failure.

Increases across the board for Clearstream

The overall value of assets under custody held on behalf of Clearstream customers registered an increase of 6 percent to €12.2 trillion in July 2014, compared to €11.5 trillion in the same month 2013.

Securities held under custody in Clearstream's international central securities depository (ICSD) increased 7 percent from €6.1 trillion in July 2013 to €6.5 trillion in July 2014.

Securities held under custody in the German

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CSD increased 5 percent from €5.4 trillion in July 2013 to €5.7 trillion in July 2014.

Year-to-date July 2014, the combined value of assets under custody in the German domestic CSD and global ICSD business increased 5 percent compared to the same period in 2013.

Growing industry demand for global securities financing (GSF) services has caused Clearstream's monthly average outstanding to increase to €619.5 billion for the month of July 2014.

The combined services, which include tri-party repo, securities lending and collateral management, collectively experienced an increase of 8 percent over July 2013, which stood at €575.1 billion.

Investment funds services processed 750,000 transactions in July 2014, a 13 percent increase over July 2013 (670,000).

IFS transactions grew 10 percent from 4.62 million processed in July 2013 to 5.06 million in July 2014.

Stefan Lepp, head of GSF at Clearstream, commented: "The 8 percent increase in our [GSF] services in July shows that the ever-growing need for capital and collateral management continues to be a primary concern for our customers."

In July 2014, 3.7 million ICSD settlement transactions were processed, a 5 percent increase over July 2013 (3.5 million). Of all international transactions, 85 percent were OTC transactions and 15 percent were registered as stock exchange transactions.

Sweden signs on to FATCA

The governments of Sweden and the US have signed an agreement to improve international tax compliance and to implement the Foreign Account Tax Compliance Act (FATCA).

The agreement, together with legislation, will create a framework to assist Swedish financial institutions in reporting certain financial account information required by FATCA.

The signing took place on 8 August.

South Korea is an 'important offshore RMB clearing centre'

South Korea has become eighth in the world for RMB payments having increased payment value 563 percent between June 2013 and June 2014.

The placing comes from SWIFT's RMB Tracker and in June 2014, nearly 69 percent of all payments between South Korea and China/Hong Kong were in RMB.

Michael Moon, head of payments in Asia Pacific region at SWIFT, said: "We have been monitoring the use of RMB in South Korea for a while, observing its fast growth over the past two years, particularly as more banks and businesses are using RMB in international transactions."

"South Korea's RMB payments growth is increasingly driven by customer payments, which are good proxy for trade settlement."

Mood added: "The announcement by South Korea and China in early July about setting up a new RMB clearing centre in Seoul will further benefit the trading activities between the two countries. This agreement establishes South Korea as an important offshore RMB clearing centre in North Asia."

Gibraltar begins compliance with FATCA

Gibraltar's financial services sector must act now to embrace the Foreign Account Tax Compliance Act (FATCA), according to Nicola Smith, CEO of Helvetic.

Along with a number of countries, Gibraltar signed the Model 1 Intergovernmental Agreement with the US, meaning all financial organisations in the territory must submit details of financial accounts on all US citizens to the Gibraltar tax authorities.

To prepare for the new regulations, which came into force on 1 July, the Gibraltar Association of Compliance Officers (GACO) held an event with Thomson Reuters to address concerns surrounding the arrival of FATCA, notably the complexities of preparing customers for both US and UK reporting.

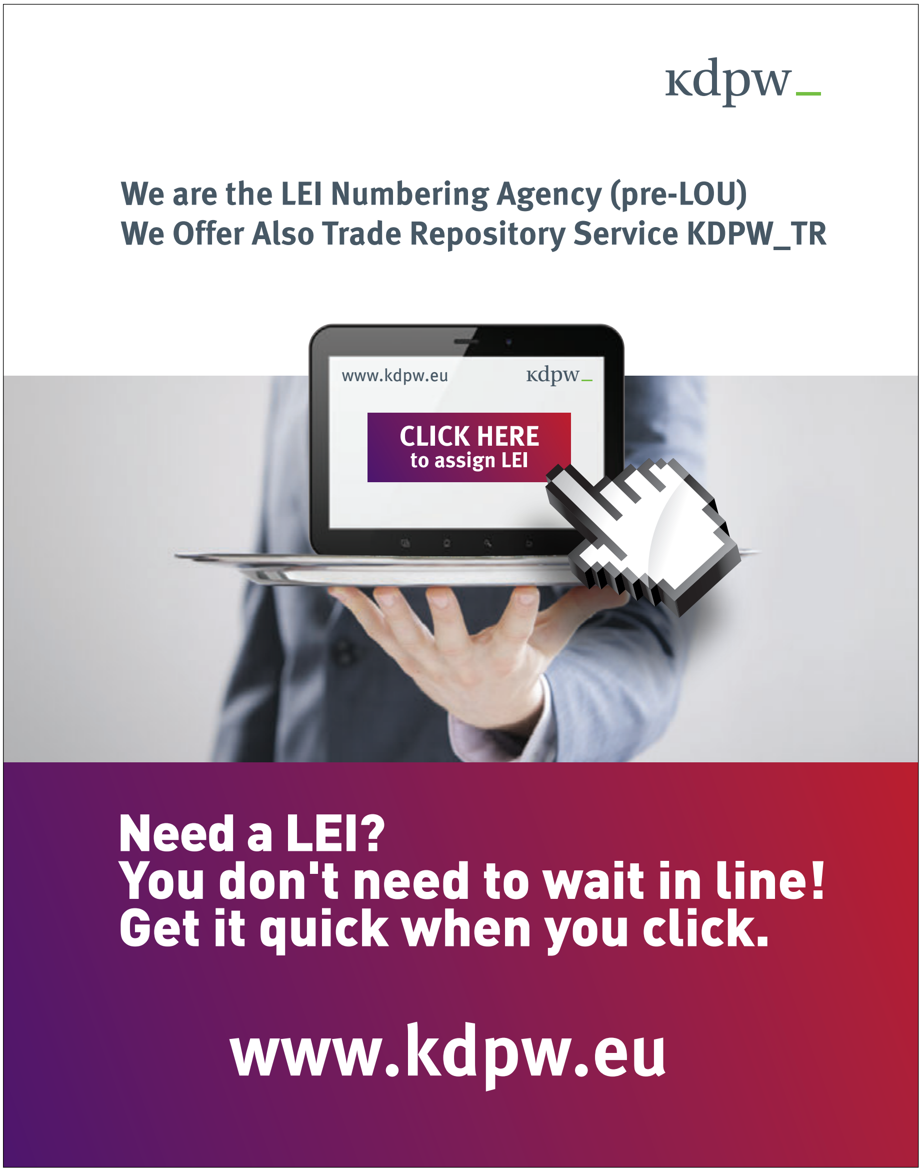
Smith said: "[The] administration costs for collating and sending the information have to be met by the financial organisation and not the US government."

"We at Helvetic have prepared for the additional workload in light of the new requirements."

Charles Foster, risk director of Helvetic and committee member of GACO, said: "It's imperative we work together with the financial community of Gibraltar in order to provide them with all the necessary information."

"Other countries have seen organisations turn US citizens away from their services because of mistaken perceptions about complexity in compliance with FATCA and that registration is only required if you deal with US citizens."

"This is not the case, it is highly likely that if you are a foreign financial institution you will need to register whether or not you have clients who are US citizens."



Issuer to Investor: Corporate Actions Less delay. Less errors. Less risk. More sense.

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The path taken by a corporate action announcement is rarely smooth. Whether it's a dividend, bond redemption or merger, the stages between issuer to intermediary to investor can see data get dropped, details missed, and investor decisions, delayed.

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Collateral becoming regionalised

The first-order effect of the global effort to increase regulation of fixed-income trading has been to increase regionalisation in the treatment of collateral at European and US clearinghouses, according to fixed income research conducted by TABB Group.

Clearing has become the main focus for buy-side firms trading fixed income across the global financial centres.

According to Radi Khasawneh, research analyst for TABB and author of the research paper, there is now bifurcation between clearinghouses with global reach and those with a domestic focus.

However, this domestic focus can lead to a domestic bias, specifically for European entities that have the widest universe of accepted collateral.

Khasawneh said that as clearinghouses with global reach establish regional entity tie-ins with clearinghouses in the rest of the world, a level of standardisation will emerge, which is already happening on the modelling side.

He added: "This will eventually lead to a shift to voluntary rather than mandatory normalisation of the current fragmented environment. We believe that many clearinghouses in the rest of the world will have to loosen the restrictions on collateral accepted from international accounts."

SunGard solution for Faisal Islamic Bank of Egypt

Faisal Islamic Bank of Egypt has selected SunGard's suite of enterprise risk management solutions to help build a new operational framework for improved risk exposure, reporting and Basel compliance.

As a leading player in the Egyptian banking sector, the bank recognised a need to transform its risk infrastructure to comply with international and domestic regulatory standards, according to SunGard.

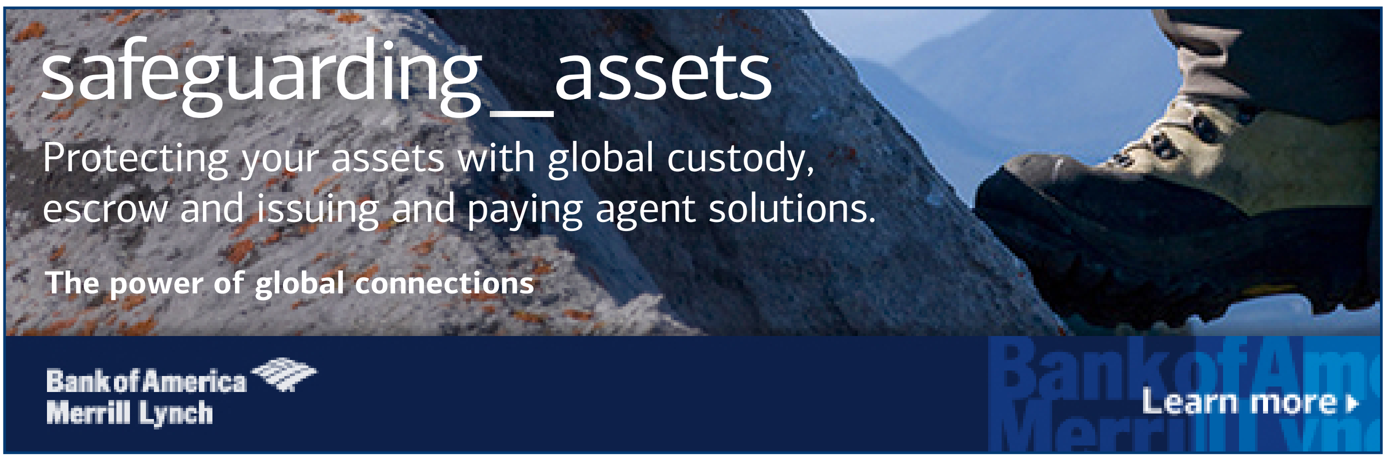
Using SunGard's solution site, the bank plans to centralise all of its risk activities to help identify, measure, monitor and manage risk more effectively.

By automating and centralising the risk management processes will help the bank increase risk exposure transparency and reduce reporting time. The bank will also benefit from the solution's best practice, out-of-the-box reporting and monitoring to help improve balance sheet management and drive value from more sophisticated, forward looking analysis.

Mohammad Abdulalim, head of risk management at Faisal Islamic Bank, said: "As a pioneer of Islamic banking in Egypt, when evaluation our risk and compliance requirements, we wanted to implement a solution that would help enhance not only our compliance capability but our competitiveness in this market."

"SunGard provides us with a fully comprehensive solution site underpinned by global and local best practice and standards."

Wissam Khoury, managing director of the Middle East at SunGard, said: "Banks that con-



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tinue to run legacy risk management systems face challenges in meeting today's risk and compliance requirements."

"Coupled with increasing central bank pressure to comply with international standards, we see these as key drivers to a wave of risk management transformation in the Egyptian banking sector."

"Faisal Islamic Bank of Egypt is taking steps to upgrade its operational capabilities and our technology will help them drive competitive advantage from their risk and compliance initiatives."

Painful July for hedge funds

July was a volatile month for hedge fund performance with an aggregate performance of -0.35 percent for the month.

This marked the industry's fourth, non-consecutive down month in 2014 and dropped year-to-date hedge fund returns to 2.62 percent, according to the eVestment July 2014 Hedge Fund Performance Report.

Hedge funds reported rising short exposure heading into July, with long/short equity funds' median net exposure being the lowest since February 2010.

Distressed fund performance was negative in July amid a sell-off across high yield markets, though the group still remains the best performing major hedge fund strategy in 2014.

Activist funds also declined in July, but at year-to-date returns of 2.98 percent, are still on track to outpace the aggregate hedge fund industry returns.

Commodity funds outperformed in July amid sharp price declines across the commodity spectrum, giving commodity funds a year-to-date performance of 3.12 percent.

The report does point out that this aggregate of commodity performance hides some big drops in specific commodity segments.

Large macro and managed futures funds were also hurt in July as the US dollar surged against all major currencies and equity market declines.

Reuters web portal launch for KYC

Thomson Reuters has launched a web-based portal for Accelus Org ID for its Know Your Customer (KYC) Managed Service.

The online portal facilities client on-boarding, identity collection and verification, which will allow financial institutions to increase efficiency and reduce operating and remediation costs associated with complying with KYC requirements.

Accelus Org ID acts as a neutral central clearing house by building an accurate identity record that will work with the KYC passport.

Damian Glendinning, treasurer at Lenovo, said: "With increased attention being placed on complying with complex KYC requirements, so too is the compelling need to identify and work with trusted industry partners to ensure the collection and maintenance of accurate KYC information."

"Having a centralised solution in the Thomson Reuters web-based portal of Accelus Org ID KYC Managed Service will certainly help increase efficiency and reduce costs related to repeatedly providing KYC information to multiple firms."

LOIM signs up to Confluence's Unity

Confluence is to provide its automated budgeting application for asset managers to Lombard Odier Investment Managers (LOIM).

The Unity NXT Budgeting and Unity NXT Invoice Payment solutions will be used by LOIM in the management of their Luxembourg UCITS and alternative investment fund expenses.

Unity NXT Budgeting will allow asset managers to manage fund expenses with greater control and transparency, while the Unity NXT Invoice

Payment solution will reduce time spent by asset managers on invoice tracking and vendor reporting by up to 90 percent.

Mark Edmonds, managing director of Lombard Odier Funds, said: “We view automation as key to gaining greater transparency, efficiency and control over expense management processes.”

“The Unity NXT Budgeting solution allows us to manage expenses efficiently across multiple currencies and multiple share classes.”

Hugh Byrne, managing director of Europe, Middle East and Africa business development as Confluence, said: “Asset managers can now automate expense budgeting to reap the benefits of a fixed operation charge ratio without struggling through the hassle of spreadsheet-based expense management.”

“We are very pleased to be providing LOIM with solutions to help them improve control and efficiency of monitoring budgets and forecasted budgets and creating, reviewing and approving invoices, whilst simultaneously reducing risk and cost.”

Sapient enhances solution

Sapient Global Markets will further enhance its Compliance Management and Reporting System (CMRS) to support collateral and valuation reporting.

From 12 August, firms will have to report collateral and valuation information on a transaction level (over-the-counter), position level and collateral valuations on a portfolio level.

As a single solution, CMRS will ease firms reporting requirements, from regulations such as the European Market Infrastructure Regulation (EMIR) and the US Dodd-Frank Act, from many systems into one.

The information collected will be reported to the Depositary Trust & Clearing Corporation, REGIS-Trade Repository (TR) and UnaVista TRs.

The solution facilitates firms to report transaction, valuation and collateral on its own, on behalf of a counterparty, or as a delegated reporting service to its end clients.

Arun Karur, vice president of Sapient Global Markets, said: “In our discussions with market participants it is apparent that they are looking for a single solution to address the various reporting regimes and support their firms during a period of unprecedented change.”

“In creating CMRS, we recognised that both EMIR and Dodd-Frank requirements could be used as the building blocks to create a consistent approach to the various facets of the trade reporting process.”

He added: “The addition of collateral and valuation functionality is a natural extension of CMRS. It enables firms to centralise their external communications and compliance efforts to achieve a single view of their compliance status.”

“When combined with a streamlined method for identifying trades to be reported and translating data from multiple sources into the specific format, CMRS offers a compelling choice for supporting Dodd Frank and EMIR reporting.”

Deutsche Bank is the depository for HKEL

Deutsche Bank has been made depository bank for the non-capital raising sponsored Level 1 American depository receipt (ADR) programme of Hong Kong Electric Investments and Hong Kong Electric Investments Limited (HKEL).

HKEL is the first fixed single investment trust in Hong Kong with a focus on the power industry. The firm is wholly owned by the Hong Kong Electric Company, which is the sole electricity provider to Hong Kong Island and Lamma Island.

Philip Tiffin, Asia Pacific head of issuer services sales for global transaction banking at Deutsche Bank, said: “We are delighted to be HKEL’s depository bank of choice.”

“This notable mandate exemplifies our strong capabilities in ADR depository services and global network.”

“We look forward to providing HKEL with the highest level of customised services to optimise the visibility of its ADR programme and broaden its investor base.”

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Chapman’s Eye on the market

Summer loving

Yes, dear reader, as you might imagine, despite the fact it’s mid-summer, I’m still hard at work on your behalf diligently pulling together snippets of news, trends, tittle-tattle and updates to help feed your insatiable appetite for information on what’s hot and what’s not in the world of asset servicing. In a nutshell, what’s hot is this poolside in the south of France, where I penned this piece. What’s not? Well actually, very little. Hiring has slowed down a tad, but that’s all that has happened—it certainly hasn’t stopped and behind the scenes talent is still being spotted and courted, and as soon as folks return from their well-earned summer breaks, those names will be moved along the funnel to being hired.

Further indications that this is the year the asset servicing employment market has finally turned the corner include guaranteed bonuses starting to be offered once more, candidates receiving multiple competing offers, and roles in pperations, product and strategy starting to be seen again as opposed to only revenue-producing roles, which have been the norm for so long.

September and Q4 also bring forth a plethora of conferences of all shapes, sizes, locations and areas of focus. The daddy of them all is of course SIBOS, taking place in Boston. Held in late September—a great time to be in New England if you are thinking of tagging on a few days with a loved one or even your spouse—it is highly regarded and is the ‘one-stop shop’ for everything to do with cash and securities.

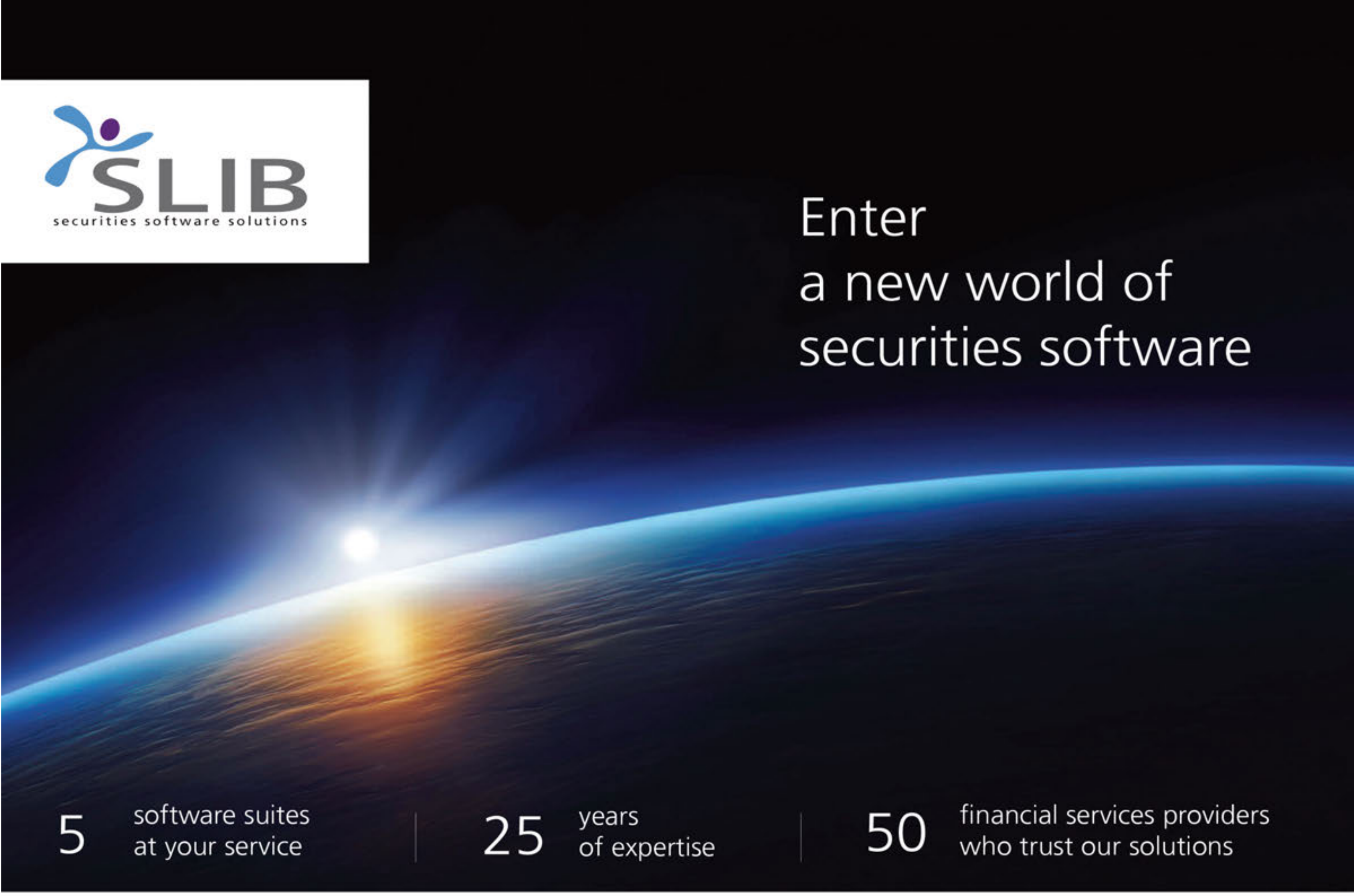
Other major conferences of note, and I mention them now as the earlier you book, the better the discounts available, include NeMa Singapore in mid-November at the Shangri-La on Sentosa Island, Singapore, NeMa Africa and the Global Custodian Forum in late November and early December, respectively.

At the other end of the scale, and if budgets are tight or ability to travel limited, a potentially more technical and focused event is being hosted by consultancy firm CityIQ at the Museum of London on 18 September. Structured as ‘four conferences in one day’, the format is a presentation followed by a panel discussion on BCP, project governance, outsourcing of back and middle office processes, and finally, trends in financial services. You can attend one or more of the sessions and I know the host Paul Wiltshire well, so there’s sure to be a good lunch provided, too.

As we are all very much aware, certain informational nuggets gleaned from such get-togethers can be worth their weight in gold, but as I’ve said before, it is imperative that tangible action is taken immediately following these events. Otherwise, it’s easy to just attend, have an enjoyable time and then simply file information away with no benefit accruing. Will likely be at most of these events so do introduce yourself if you happen attend any.

As ever, do let me know your thoughts. Drop me a line at paul@hornbychapman.com

Paul Chapman, managing director, HornbyChapman Ltd



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Flying down to Rio

After years of demanding economic growth, Brazil is taking a breather

CATHERINE VAN DE STOUWE REPORTS

Place a snapshot of today's Brazil alongside one of the country from a decade ago and you'll spot the differences immediately. Not only have the cities become bigger and better, but its economic growth has been phenomenal.

At the last count, the custody market was last estimated to be worth around R$3.97 trillion (€1.3 trillion), putting Brazil in a strong position in meet the expectations of the global market. "A lot of the custody … consists of custodians providing their own custody. Large financial institutions that also have asset management divisions generally provide their own custody and servicing," explains Don Linford, regional head of investor services for Latin America in the global transaction banking business at Deutsche Bank.

Having globals present in the market has proved popular among domestic providers, as "some global custodians decide they want a local provider for their cross-boarder assets". As a result, the third-party cross-boarder assets business is worth an estimated R$869 billion (€285 billion), according to Linford.

While global banks still take on a significant position in cross-boarder custody as it flows into the country, domestic banks, valued at just over R$3trillion (€1 trillion), "continue to be the dominant players for the local custody".

Slowing down

A comparison of the level of asset values today against the values of three years ago shows that the rate of climb has steadied, indicating an "economic slow down".

While this may mean that local funds may not be growing as much as they have in the past, alarm bells are not ringing as "Brazil has really excelled in terms of how it handled the [2008] financial crisis, with its financial infrastructure [being] much more mature," explains Linford.

He adds: "Brazil has a central clearinghouse, a central payment system and it has trillions of dollars in its capital means. This has proven that the Brazil market can withstand a little bit of shock."

There is optimism around trading in Brazil, which will mean short-term adjustment of traders to keep the flow moving. But Linford says there are still investments happening in the market, which is "likely to prove a big opportunity for those who operate outside of Brazil and for those who are able to get hold of local asset managers onshore and offshore to potentially diversify their portfolios between the two places".

Flexible taxes

Brazil has been subjected to frequent changes in taxation in the past, but a common misconception is that added taxation is from the introduction new taxes. Linford says: "Unfortunately the taxes already exist, but most of them are at a rate of zero."

As to whether a tax is raised from zero, or lowered to zero, is down to the political environment at the time. "Depending on what policies the government is running, taxes can intensify or [ease it off] because [the tax] already exists the authorities have the right to raise it to whatever percentage they want it to be."

Two years ago, the capital market was dealing with "a series of taxation changes in debit taxes, IOS taxes, on fixed income and foreign exchange", says Linford. The past year has seen a more stable economy. This does not suggest that there were no changes to taxes, just that they had no impact on the capital market.

The ability to quickly change taxation can have a positive effect, and has so on areas outside of the capital market. Recently, the government "ratified the tax on produced goods as a way of intensifying [domestic] manufacturing," says Linford.

Global game

With taxation changes on the backburner, Brazil can focus its attention on keeping up with the global regulatory game.

Brazil's capital market is regulated and monitored by the National Monetary Council, the Brazilian Central Bank and the Brazilian Securities and Exchanges Commission, who act on recommendations from the International Organization of Securities Commissions to keep the market aligned with evolving global changes. "Local regulators do their best to keep the market to a global standard," says Linford. "They constantly review local legislation as it relates to custodian services and how that relates to international law."

So far, European legislation such as UCITS and the Alternative Investment Fund Managers Directive, have not had a direct impact on local markets. They do "influence how the local regulators see the local market, the laws and the rules that they develop to govern the fund industry", but where offshore regulations have an effect is with cross-boarder providers and the "asset managers who are performing outbound transactions and keeping flows outside of Brazil," says Linford. As Brazil has a large asset management industry, that is gaining momentum in having funds and fund structures offshore, they must comply with local and global legislation.

In some respect, Brazil is similar to EU countries in that it joined the Union of South America (UNASUR) in 2008. In the Constitutive Treaty, signed in May 2008, UNASUR aims to build "integration and unity in the cultural, social, economic and political affairs of their people, prioritising political dialogue, social policy, education, infrastructure, finance and the environment … with a view to eliminating socioeconomic inequality".

As part of the UNASUR, the South American Council of Economy and Finance was created in November 2010 and acts as "a forum for dialogue, reflection, consultation and cooperation in economics and finance in the context of the [May 2008] Treaty".

The council has a number of objectives, mainly to "promote the use of local and regional currencies to pursue intraregional trade transactions" to keep the Latin American economy moving, which could account for Brazil's bumper few years. It will be interesting to see what comes from the UNASUR in the future in terms of Latin America's capital markets. AST

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The single question

SmartStream's Darryl Twiggs explains how single stack technology for asset classes will boost a bank's trading capabilities and lower its costs

CATHERINE VAN DE STOUWE REPORTS

What challenges do multi-asset class dealings pose to systems and processes?

In the front- and back-office today, there is an island of silos systems that have been acquired over a number of years that have to support the processing of individual asset types and instruments. Each of these systems is based upon their own data model and definitions. The primary issue is one of support, maintenance and cross communication. It is impossible today for banks or financial institutions to get a realistic view of where they are, what their liabilities are or what their commitments are, because the data is essentially isolated and in different languages.

The challenge for banking is how to rationalise that system landscape and how to normalise the data to get that holistic view. And why is that holistic view is necessary? Some regulations require monitoring of intraday liquidity and others require banks to provide sufficient collateral to safeguard against their commitments. Unless you know exactly where you are across the whole bank, you won't know how much reserve you are required to hold. As a consequence, regulators will impose higher expected collateral requirements, meaning it will cost the banks.

Another challenge is how to support those individual systems. You have to apply people. It will be necessary to have people supporting and providing upgrades for the solutions, providing maintenance and to also support the ETL layers, the delivery of messages into the systems, and to be able to extract the data out of those systems. Today, we find that there are hundreds, if not thousands, of people engaged in the back office of a single financial institution and their job is purely to support the current systems.

There is an enormous frustration where the operations business units are managing multiple asset types. They have to log into multiple systems in which the data is being presented in both systems in a totally different way.

There are many dimensions to this challenge and the result is an enormous cost at a time when the banks are looking to make enormous cost reductions. We've heard some banks are asking for 70 percent cuts in their operating costs. You can't do that with many different systems. You need to move to a new paradigm.

What difficulties exist when trying to achieve automation?

The key has got to be in two places. One is a common technology stack to make everything far more supportable, which leads to the learning and training required for operating staff becoming substantially lower in cost. The second is normalising the data to reduce the requirement for ETL, to be able to present it in a more efficient way and to collate it for reporting and monitoring. Each of the individual systems provides data in their own way. We see this in international systems, for example, there are multiple coding conventions for securities and equities, and those different systems have their equivalent internal identifiers, which recognise a particular asset and relate those assets to each other.

That is a conundrum in itself. You can cut that whole problem by clients, their counterparties and agents, identifying the accounts, funds and portfolios with their own unique identifies. There is massive translation problem that has to be undertaken and resolved in order for the systems to be able to communicate with each other. That is the crux of it.

If you want to be able to see a realistic view of where you are as an organisation you need to have a single, normalised data view. If you do not have that, then you're disjointed. There has to be common way of defining all of that data and common practices that can operate that data. If you have multiple systems you are going to have to train it, or you're you'll have to use each of those individual systems. If you have a rationale of single technology stack, you're only doing that training and that support once.

Will the systems you are developing aim to achieve a single platform?

SmartStream has been a thought leader for more than 15 years and we have always recognised that single stack technology is the only way to move forward. Our Transaction Lifecycle Management platform, released in 2002, has been providing solutions of single technology stack.

All of our solutions are built on a single technology stack, which enables us to provide one single technology across the whole back-office and post-trade sitting. Our clients are delighted because they have single teams now supporting cash management, post-trade management, corporate actions, and they've been able to reduce their business units.

Now we are seeing clients move from a traditional model of having a team for equities, a team for over-the-counter derivatives, and teams in other areas, and they are now consolidating the teams so they can have one team that can deal with all of those different asset types throughout their day in a single solution.

What effect do location and the increased demand for collateral have?

There are solutions that are processing each of the individual trades on an asset basis, and those trades need to lead to an aggregation of balance and positions. If they are held in different systems, somehow you have got to put those into one picture. Some systems are provided to perform different parts of a lifecycle of a trade. Separate systems might be responsible for booking trades, allocating orders, doing post-trade processing for confirmations, doing the payments of those commitments and managing the clearing of those securities. There may well be five or six systems involved in the lifecycle of a single trade and somehow they have to tie up the normalisation of the data while overcoming disparate identifiers.

> "There may well be five or six systems involved in the lifecycle of a single trade and somehow they have to tie up the normalisation of the data while overcoming disparate identifiers"

The challenge is linking all of those together so that you can understand where you are, second by second.

Lehman Brothers went down in five minutes because it did not know what liquidity it had, what its commitments were and what it had to make in payments. Then Basel III came out and banks are being driven to put in place ways of monitoring what their collateral positions are, what there liquidity is, and how can they make the commitments that they have to provide on an intra-day basis.

What is really odd, although having spent 20 years in the business it is not a surprise, is that the first thing that banks are doing is aiming for a tactical solutions, which is to say they are meeting the implicit requirements of Basel III. Essentially, this means they are putting reporting monitoring in place, so they will generate a report.

Many of those institutions are putting a reporting system in place and putting people in, adding to the operational cost, and their job is to everyday go to the different systems, extract the data, put them into spreadsheets and then create a report.

That report tells them that they went out of business yesterday. What they need is to move the batch processing into intra-day transaction processing, to update their position in collateral on a minute by minute basis and to be able to alert and advise people who have commitments on when to take action and when to liquidise collateral to provide additional funding to meet the commitment. If you purely go for a tactical reporting basis, you're too late. You have to do it so you are being predictive, but at the same time you need to be getting the enormous benefit of being able to maximise your funding opportunities.

As there are currently no single platforms, how can firms best address the challenges posed to them?

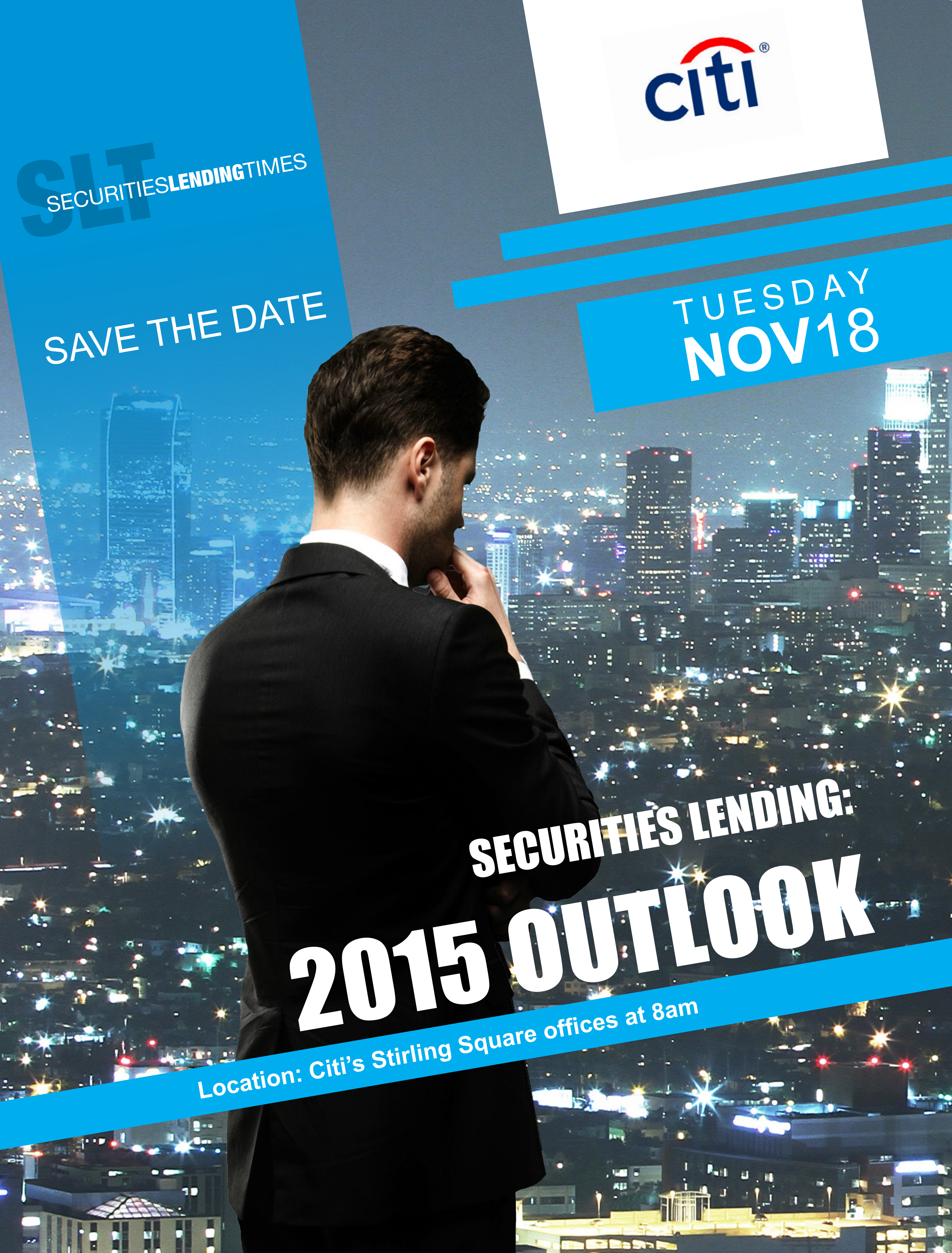
One way is to tackle the business operations. SmartStream is responding in that way, helping some of our clients, for example, in the reconciliation space. Any financial institution has multiple reconciliation solutions. Some have more than 10 that have been acquired over many years. When new instruments have been traded, they have bought a reconciliation system for that instrument type.

What we are helping those clients to do is to rationalise reconciliations into a single system. We do that by providing them with a system that is agnostic to asset type, so then there is one area of operations that is central and underpins everything in terms of the process, which is one platform, one technology. The next area of operations in the lifecycle can then be addressed. It is a matter of consolidating that.

An alternative way is to outsource, which is the extreme paradigm. Many banks are looking to uplift their operations and pass them on to a third party. That third party will use the scale of the operation to support multiple banks on a common utility base. They overturn the landscape of multiple systems by offsetting it to a third party that would provide that utility. That is effectively a single system: they are given the data, and they get data back.

It is all about cost and efficiency and being able to monitor what is happening in the bank. **AST**

Darryl Twiggs
Head of product management
SmartStream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2015 OUTLOOK
Location: Citi's Stirling Square offices at 8am

Industry appointments

J.P. Morgan's current head of fund services, **Chris Rowland**, has been promoted to the global head of the custody business, effective immediately.

Rowland will report to Nick Rudenstine, who is global head of custody and fund services. He will continue to support fund services to ensure an orderly transition.

Rowland has leadership experience in custody roles. He replaces Andrew Betts, who has led the custody business for the past 18 months. Betts is leaving J.P. Morgan.

Sophie Jellef has also been promoted to head of the prime custody solutions group, which will become a part of the custody and fund services group under the current head, Rob Ward.

Devon George-Eghdami, who was head of the prime custody solutions group, will take up another role, due to be announced later this year.

Bravura Solutions has promoted **Terry McCann** to chief information officer.

Previously head of IT, McCann, will support and grow the company's managed service offering across Asia Pacific.

He will also take responsibility for ensuring the company has the right infrastructure and tools in place to deliver strategic and commercial objectives.

Mike Walsh has been made managing director of Asia Pacific for Cashfac Technologies's new Singapore office.

Based in Singapore, Walsh will be responsible for overseeing the company's sales, business development and customer services strategy in Asia Pacific.

The opening of the new regional hub office will enable Cashfac to support a growing and diversified customer base in the region and will also support the launch of a new suite of cloud-based applications and managed service operations.

Peter Jordan will become the new head of global fund services (GFS) for Northern Trust's growing Asia Pacific region.

Based in Melbourne, Jordan will report to Peter Cherecwich, head of GFS, and William Mak, the Singapore-based head of Northern Trust in Asia Pacific.

Jordan succeeds **Camie West**, who is returning to Chicago to become the head of strategic client relationship for GFS.

Anne-Pascale Malréchauffé has become the new head of Clearstream's network management department in Luxembourg.

She previously served as head of operations for Clearstream in Singapore. Blair Monahan will take over that role and report to Mathias Papenfuß, who is a Clearstream executive board member and COO.

Malréchauffé will report to Clearstream executive board member and head of business management, Berthold Kracke.

Godefroid Lamboray, who serves as head of network management for the European markets, Market Bosquet, head who leads the domestic markets, and Russell Callaway, who is in charge of the international markets, will all report to Malréchauffé.

The Depository Trust & Clearing Corporation (DTCC) has appointed **Chris Childs** and **Ian McLelland** to two executive management roles in its global trade repository business.

The new roles come as the firm continues to expand operations globally to bring greater transparency to over-the-counter (OTC) derivatives market and to help financial firms meet new regulatory trade reporting mandates.

Childs will assume the role of CEO of DTCC Deriv/SERV after spending a year as its COO, overseeing all aspects of DTCC's OTC derivatives global post-trade processing and trade reporting services.

McLelland has become CEO of DTCC's European trade repository and will lead day-to-day operations and take responsibility for all aspects of business. **AST**

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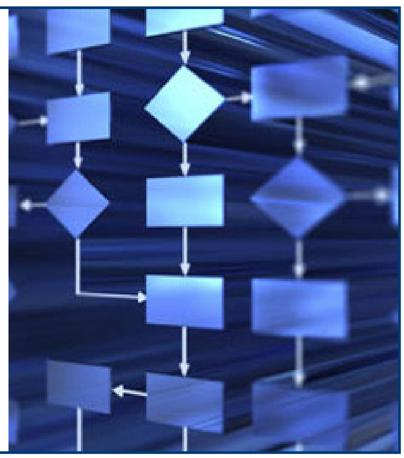

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