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# Brexit rocks UK asset managers

The financial services industry has reacted to the UK's vote to exit the EU with concerns around market volatility, but a positive long-term outlook.

In the aftermath of the referendum, which saw 51.9 percent of voters opt for a 'Brexit', Prime Minister David Cameron resigned, the pound saw it's sharpest drop on record, and the UK's credit rating was downgraded by both Fitch and S&P.

The vote to exit has been named as a threat to London's status as a financial technology hub, with fears that a more complicated regulatory regime, and changes to free movement could dissuade start-ups for basing themselves in The City.

Questions have also arisen over the UK's ability to maintain equivalency with EU regulations such as the Markets in Financial Infrastructures Directive II and the Alternative Investment Fund Managers Directive AIFMD, as well as concerns over liquidity and market volatility.

Mark Carney, governor of the Bank of England, has warned of uncertainty and tight financial conditions, saying this could lead to firms delaying investment in the UK. Carney also hinted that a rise in interest rates could be on the cards, saying some monetary policy easing may be necessary.

However, despite the challenges ahead, market participants are generally expressing positive sentiment, with potential opportunities for investors seeking cheaper high-quality assets. Carney pledged additional funds to support liquidity in the market, while praising the UK's flexibility and resilience to change.

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## Blockchain and cyber crime are a 'threat' to US stability

The US Financial Stability Oversight Council (FSOC) has highlighted distributed ledger technology and cyber crime as threats to financial stability.

In its 2016 annual report, the council, including representatives from the US Treasury, the Securities and Exchange Commission and the Commodity Futures Trading Commission, highlighted blockchain and the increase in malware attacks as 'potential emerging threats and vulnerabilities'.

FSOC reports to US Congress, making recommendations to promote market discipline, maintain investor confidence and improve the integrity, efficiency and competitiveness of the US markets.

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## Banks lacking in data management skills, says GFT survey

Banks do not consider themselves capable of delivering on some of the most important aspects of data management, according to a survey from GFT.

Respondents to GFT's Digital Banking Expert Survey 2016 highlighted managing structured data as the most important aspect of data management, with 72 percent saying that they consider this to be significant.

However, only 56 percent said they have capability for managing structured data.

The second most cited aspect was accessing all types of internal customer data, highlighted by 70 percent of respondents.

But again, only 56 percent said they have this capability.

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## Blockchain and cyber crime pose ‘threat’ to US stability

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The report acknowledged that distributed ledger systems could allow market participants to manage various types of bilateral or multilateral transactions without the need for a third-party participant, potentially improving efficiency and reducing risk.

It also noted that blockchain technology could improve market transparency, by virtue of being broadly accessible and verifiable. The technology could also reduce concentrated risk exposures, improve the speed and accuracy of settlement, and reduce counterparty and operational risks of exchanging assets, the report said.

However, the FSOC said that, like all new technologies, blockchain presents risks and uncertainties that both regulators and market participants should be aware of and monitor.

The report said: “Market participants have limited experience working with distributed ledger systems, and it is possible that operational vulnerabilities associated with such systems may not become apparent until they are deployed at scale.”

It noted the recent delays in bitcoin trade confirmations and suggested that some distributed ledger systems may be “vulnerable to fraud executed through collusion among a significant fraction of participants in the system”.

Finally, the report suggested that regulators should strive to adapt to the new market structure, working together to effectively monitor and manage the risks involved.

It said: “Since the set of market participants which makes use of a distributed ledger system may well span regulatory jurisdictions or national boundaries, a considerable degree of coordination among regulators may be required to effectively identify and address risks associated with distributed ledger systems.”

The report also addressed the issue of cybersecurity—specifically with regards to protection against attacks using destructive malware, which it said are “infrequent and yet potentially catastrophic”.

It said: “Financial institutions, working with government agencies, should understand this risk and take steps to improve cybersecurity, engage in information sharing efforts, and prepare to respond to, and recover from, a major incident.”

The council recommended that these preparations should include consideration of the potential technical impact of an attack, business implications and response mechanisms, as well as considering the potential effect on the wider financial system.

Other notable areas covered in the report include the issue of ‘gaps’ in data available to regulators, and the lack of interoperability between authorities; the importance of ensuring there is enough capital and liquidity to reduce systemic risk; standards for central counterparties and their clearing members; and risk caused by low interest rates and volatility in asset pricing.

Treasury secretary Jacob Lew commented: “The council’s annual report is a vital vehicle to publicly highlight potential threats to financial stability and is another example of how Wall Street Reform has improved coordination among financial regulators.”

He said: “In this year’s annual report, the council outlines potential threats on the horizon and offers an important roadmap to help guide the council’s focus in the coming years.”

## Banks lacking in data management skills, says GFT survey

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Generating insight and actions for target groups was considered important by 67 percent, and real-time data analysis was identified as important by 66 percent, however for each of these tasks, only 42 percent said they have the capability to complete them.

The survey also revealed a small increase in the number of firms that have completed their digital banking strategy and implemented their digital banking solution, from 7 percent in the first survey in 2015 to 9 percent in 2016.

Almost half, 49 percent, said they have their digital strategy in development and are in progress of implementation, while only 4 percent said they have no strategy in place and haven’t started implementation.

The ability to deal with security issues were found to be the top key factor for success, however it was also named as the top barrier to implementation of digital strategies.

This comes as a contrast to the 2015 survey, in which security aspects were considered only the eighth most important success factor, and the sixth-biggest barrier to implementation.

Last year’s top success factor, providing a consistent, intuitive customer experience, dropped to second place this year. The third-most cited success factor this year was co-innovation and feedback from customers, up from its seventh-place spot.

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In terms of barriers to implementation, regulatory and compliance issues were named as the second-biggest challenge, after security.

This is also an increase, as regulatory issues were considered the fifth biggest barrier in last year's survey.

The report said: "Many banks are at an advanced stage when it comes to planning their digital banking strategy, but when it comes to actual implementation they still have a lot of catching up to do. The key task now will be to translate what they have captured on paper into actions."

Marika Lulay, COO at GFT Technologies, commented: "Building the digital bank of the future has to be a concerted effort and an emphatic desire if you want to inspire customers, or if you want to keep a tight rein on costs, or if you ultimately want to win the competition yourself."

The survey included responses from 260 individuals from retail banks in Brazil, Germany, the UK, Mexico, Italy Switzerland and Spain.

## Bad press to boost KYC compliance

SWIFT has partnered with Dow Jones to add adverse media information to its know-your-client (KYC) Registry.

KYC Adverse Media has been integrated with the registry, giving users access to data from Dow Jones Risk & Compliance, including information on companies around the world that have received relevant negative news coverage, and regulatory notifications.

This can include news relating to the likes of regulatory, competitive, financial, production, environmental, and social or labour issues, from more than 32,000 publications around the world.

According to SWIFT, financial institutions are increasingly expected to use negative news coverage as part of their risk-based approach to due diligence and financial crime compliance, and to generate more complete and accurate information.

The new KYC Adverse Media capability is designed to complement the data already reported by KYC Registry users, with Dow Jones information being linked to legal entities in the registry.

However, while registry users can control which other entities can view their data, the adverse media data will be open to all registry users, to maintain optimal transparency. It will also include information of banks that have not joined the registry.

Bart Claeys, head of KYC compliance services at SWIFT, said: "KYC compliance is increasingly complex."

He added: "The addition of KYC Adverse Media is the next step in our strategic roadmap to deliver cost-effective, community-inspired financial crime compliance services that help our members optimise the effectiveness and efficiency of their compliance programmes."

Joel Lange, managing director at Dow Jones Risk & Compliance, added: "As regulation grows ever more complex, global banks have to trust in the quality and completeness of data used for KYC decision-making." Working with our adverse media data will give KYC Registry users unique access to structured profiles covering 17 negative news topics that matter to global banks."

## ASX and Digital Asset develop blockchain partnership

The Australian Securities Exchange (ASX) has cemented a commercial agreement with Digital Asset Holdings and invested an additional US $7.6 million (AUD 10.15 million) in the firm.

The investment means ASX now owns approximately 8.5 percent of Digital Asset, the blockchain technology company founded by Blythe Masters, a former managing director at J.P. Morgan. ASX will also appoint a representative to the board of Digital Asset.

The companies have also entered into a commercial agreement in which ASX has appointed Digital Asset as its preferred partner for distributing blockchain technology to support the post-trade requirements of the Australian cash equities market.

This development comes after ASX enlisted Digital Asset to develop a new blockchain-enabled system for clearing and settling trades in its equity market in January, and marks a continuation of Australia's commitment to adopting distributed ledger technology.

In January, ASX paid US $11.16 (AUD 14.9 million) to acquire 5 percent of Digital Asset.

At the time, Masters called the agreement "the world's first national scale post-trade solution utilising distributed ledger technology".

She said: "The Australian equities market could benefit tremendously from this new technology and enable ASX to better serve existing clients and create new opportunities."

## Silverfinch sorts out PRIIPs data

Silverfinch is adding a new capability to its data distribution model, facilitating compliance with the requirement for a Key Information Document (KID) under the Packaged Retail Investment and Insurance Products (PRIIPs) Regulation.

Under PRIIPs, manufacturers of packaged retail investment and insurance products must disclose information about features, risks and costs to the retail investors, through a KID.

Distribution channels and intermediaries will also be responsible for providing KIDs to investors and, without KID data, insurers will not be able to sell their products.

The Silverfinch data-sharing model will now allow asset managers to more efficiently distribute data to insurance-based investment product providers throughout Europe.

It will also help insurer clients to continue trading more smoothly under the new rules.

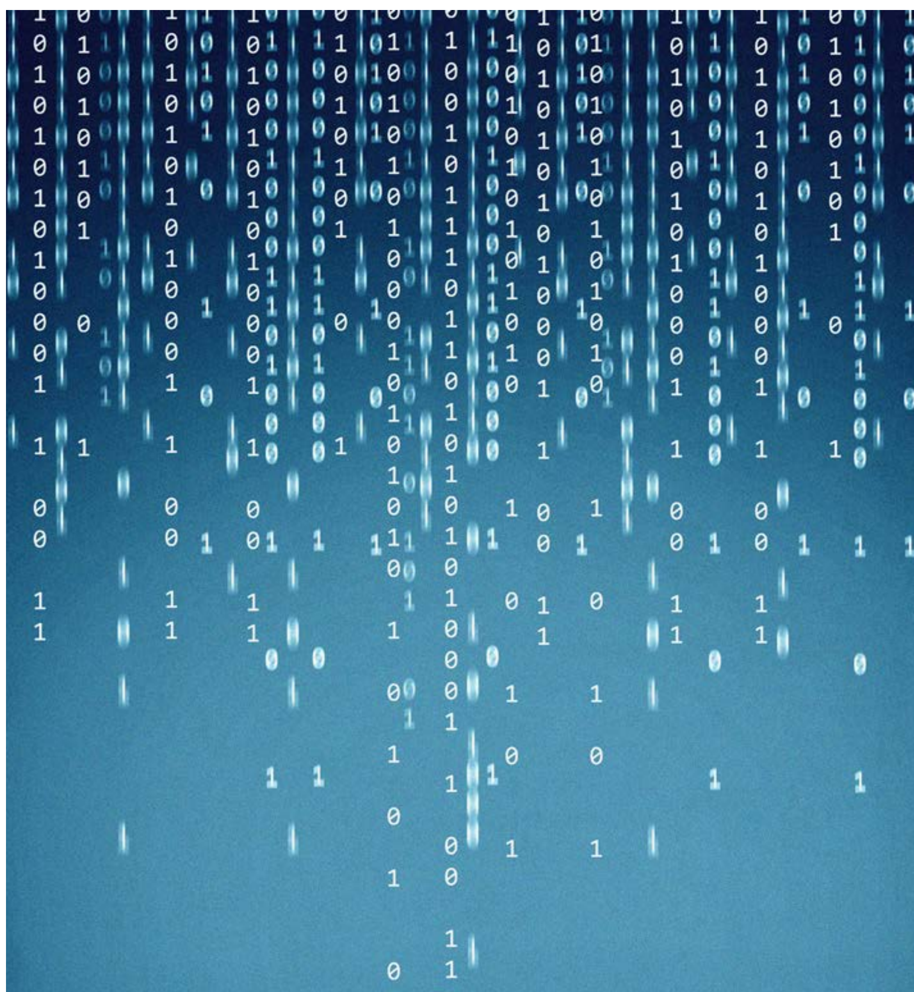
John Dowdall, managing director at Silverfinch, said: "The upcoming PRIIPs regulation will have a huge impact across insurers and asset managers as data has to be shared in order to comply with the new rules. Insurance firms that wrap asset managers' funds for sale to retail clients will not be able to do so without a PRIIP KID document, and the retail investor needs to confirm they have been given document before investing."

He added: "Our PRIIPs capability works in tandem with our existing data model, allowing end users to input and access the data required to achieve compliance. We are looking forward to working with both new and our existing clients across Europe as they navigate this new regulation."

## Euroclear set to strike gold

Euroclear is collaborating with itBit to look into creating a settlement service for the London gold market based on distributed ledger technology.

Post-trade service provider Euroclear and blockchain technology specialist itBit will explore ways of minimising risk in the gold settlement process.



This could lead to reduced capital charges, enable delivery-versus-payment and reduce balance sheet constraints.

The pair will use the itBit proprietary blockchain infrastructure technology, along with the itBit's flagship product, the real-time clearing, tracking and settlement network system Bankchain.

Angus Scott, Euroclear's director of product strategy and innovation, commented: "Euroclear is pleased to be working with itBit on this initiative."

"As an open and resilient infrastructure, our strategy has been to work with relevant industry stakeholders."

Chad Cascarilla, CEO of itBit, added: "We are excited to be partnering with Euroclear to develop a trusted digital infrastructure for gold."

"Precious metals are the first use case for Bankchain, and London bullion is a market in which a distributed ledger can have an immediate benefit."

## Another UK mandate for AxiomSL thanks to BMCE Bank

BMCE Bank International has gone live with AxiomSL's regulatory platform, for automating calculations and reporting in the UK.

A UK-based subsidiary of the Moroccan BMCE Group, BMCE Bank International will use the platform to comply with Bank of England statistical reporting requirements, as well as for common reporting and for various calculation requirements under the Capital Requirements Directive (CRD) IV.

The regulatory reporting platform is designed to produce accurate and automated regulatory reports, while containing the costs of compliance.

AxiomSL will also provide calculations and report templates, supplying updated versions when regulators make amendments. As these updates are separate to software releases, they can be implemented more quickly.

The provider also attributed the mandate to the platform's quick time-to-market and its

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flexibility, given that it doesn't require any specific data model.

"We are pleased to be working with the recognised leader in the regulatory calculation and reporting space," said Mohammed Afrine, CEO of BMCE International.

"AxiomSL's platform provides all of the functionality we require, from data aggregation and normalisation to report creation and submission."

Ed Royan, AxiomSL's COO for Europe, the Middle East and Africa, said: "We have built up an unrivalled knowledge of regulatory calculation and reporting requirements over the years while supporting financial firms of all types and sizes."

He added: "It is clear that many firms are looking for new solutions to manage BOE and CRD IV regulations. We are looking forward to working with more clients on these topics in the coming months."

This mandate comes shortly after the Union Bank of India (UK) selected the AxiomSL XBRL solution to support its regulatory reporting requirements in the UK, relating specifically to the Liquidity Coverage Ratio and Additional Liquidity Monitoring Metrics components of the CRD IV.

## Taiwan and Malaysia to collaborate on capital market opportunities

The stock exchanges of Taiwan and Malaysia have agreed to cooperate to explore capital market opportunities.

The Taiwan Stock Exchange (TWSE) and Bursa Malaysia Berhad will conduct a joint study to explore ways to improve cross-border cooperation around exchange-traded funds, indices, market connectivity and market promotion.

Sush-der Lee, chair of the TWSE, said: "We welcome the opportunity to expand our cooperation with Bursa Malaysia."

"The TWSE has been proactive in building alliances with overseas exchanges in line with the Financial Supervisory Commission's Financial Import Substitution Program and its efforts to encourage the further internationalisation of the Taiwan capital market."

The two exchanges first signed a memorandum of understanding in 1999.

Datuk Seri Tajuddin Atan, CEO of Bursa Malaysia, said: "The economic relations between Malaysia and Taiwan have been good, with Taiwan being Malaysia's seventh-largest trading partner in 2015."

"We look forward to the possibility of having greater cooperation with TWSE, which would unlock the capital market potential and opportunities in both our markets."

"The joint cross-border study under the second memorandum of understanding will enable TWSE and Bursa Malaysia to assess and prioritise potential collaborations that would provide greater access to investments and investors in both our markets."

## Pavilion improves alternatives offering

Pavilion Financial Corporation, a North American investment services provider, is set to acquire Altius Holdings, the parent company of Altius Associates, a private markets advisory and account management firm.

Altius Associates will combine with Pavilion's alternative asset advisory subsidiary LP Capital Advisors (LPCA), creating a larger global alternative asset class advisory platform and adding to Pavilion's services and geographical reach.

The asset advisory platform will be rebranded as Pavilion Alternatives Group, with all senior management from Altius Associates and LPCA remaining in leadership roles.

Pavilion Alternatives Group will have four locations in the US, plus offices in London, Singapore and Canada, and will have a total of more than $60 billion in alternative assets under management.

The transaction is expected to close in Q3 2016, subject to regulatory approval.

This is Pavilion's fifth acquisition since 2010 and, according to president Daniel Friedman, is part of a wider strategy to bring quality investment services to its clients.

Friedman said: "Altius has an excellent reputation in providing alternative asset consulting to a global clientele over a span of nearly 20 years."

"Altius and LPCA already share common values and a proven client service approach and they complement each other geographically."

"Together, we will form a stronger alternative asset class advisory platform for Pavilion offering consulting services and solutions

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across private equity, private credit, real assets, and hedge funds."

Brad Young, co-CEO of Altius Associates in the Richmond office, commented: "We firmly believe that our partnership with Pavilion will provide our clients with access to greater resources that will enhance our already strong advisory and research capabilities, while maintaining our entrepreneurial culture and client-service standards."

Donn Cox, president and managing director of LPCA, added: "In addition to advising highly sophisticated institutional investors around the globe in private markets, Altius has a proven track record in providing customised solutions to its clients."

"Its deep and global research capabilities, dedicated private debt platform and significant real asset resources will also complement our core service offerings."

## Singapore Exchange extends talks on Baltic acquisition

The Singapore Exchange (SGX) and the Baltic Exchange have extended a period of exclusivity regarding acquisition talks.

The exchanges are in discussions around a cash offer for SGX to acquire a 100 percent stake of the Baltic Exchange.

A period of exclusivity was originally signed on 25 May, in order to allow both parties to consult with stakeholders and to continue the talks. It was set to expire on 30 June, but has now been extended to 31 August.

Both parties have reported progress on the consultations, however, SGX has stressed that the exclusivity agreement should not be seen as an assurance that the transaction will go ahead.

## RR Donnelley scores hedge fund technology mandate

Hedge fund technology firm HedgeServ has selected RR Donnelley's ArcReporting application for creating its clients' financial reports and statements.

An independent global fund administrator with about $300 billion in assets under management, HedgeServ will use the application for importing data and automatically producing complete alternative fund financial statements.

ArcReporting is designed to manage and simplify fund reporting, offering data management capabilities, and producing statements in various publishing formats. The application is part of the FundSuiteArc, an online self-service content management platform that stores and manages information on a central repository, allowing regulatory and compliance documents to be easily accessed, edited and rendered.

Justin Nadler, co-founder and president of HedgeServ, commented: "We now have a fully mapped and automated template for creating fund financial statements, with integrated proofing tools that allow us to cross-check the various data sources."

"This improves the accuracy and efficiency of the financial statement production and review process internally for HedgeServ, for our clients and the funds auditors."

Marcus Malley, managing director of HedgeServ and head of financial reporting, said: "This is a major step forward for us in terms of efficiency."

"This fully automated financial statement reporting solution is designed to meet the specific requirements of alternative funds and will continue to help us deliver exceptional service to clients."

## ETF custody mandate for BNY Mellon

BNY Mellon has been appointed as global custodian and fund administrator to the first liquid, tradable and transparent exchange-traded fund (ETF) listed in the Middle East under new United Arab Emirates (UAE) regulations.

The fund, Afkar S&P UAE UCITS ETF, was launched by Abu Dhabi-based asset manager Afkar Capital Limited.

BNY Mellon will also act as Irish trustee for the fund and will provide transfer agency services.

**Do you have a story we should cover? Let us know via:**

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# The great game

## In the world of network management, challenges are coming from all directions, but the industry came together in Dubrovnik to discuss solutions, and to find ways to adapt to a new European landscape

Amid political upheaval, regulatory change and the ongoing saga that is Target2-Securities, Dubrovnik, newly famed as the capital and throne of Westeros, the fictional country in which Game of Thrones is set, may have been the perfect place to draw battle lines and address some of the many issues affecting network management in Europe.

At NeMa 2016, as in King's Landing, changes to legislation were a recurring, if not popular topic among attendees, with one panel analysing the ways in which the regulatory onslaught in Europe has led to a change in the way custodians price their services.

In a survey on the evolution of the custody cost model, 71 percent of audience members said that regulation is affecting profitability and pricing, and that their institution is considering increasing its prices.

While a further 18 percent said profitability is affected, but not to such an extent that they are increasing prices, 8 percent said they have in fact already started making these price increases. Only 1 percent answered that regulatory change has not affect profitability at all. One panellist suggested that in the current environment, "you're delivering custody but it's not just custody", adding that what is really going to add value for clients is data—that is, having an exact view of investments and how funds are performing.

Another pointed out that the regulatory burden, and associated cost increases, are showing no sign of slowing down, as markets continue to bring in local sanctions and regulations for foreign investors.

When the audience was asked whether they believe clients will be willing to pay more for custody the results were more evenly split. The most popular answer, with 39 percent of the vote, was that clients will not be willing to pay more, but that any reduction in price will be very limited.

Almost a quarter, 24 percent, said that prices will increase in all areas, while 19 percent said they believe prices will remain stable. A further 10 percent said the cost of custody will be significantly reduced, and 8 percent said they think customers will be willing to pay more, but only for global custody.

In response to this, one panellist argued that if asset protection and sustainability are to remain an important part of the business, everyone has to accept that the cost of doing business has changed.

Another speaker noted a move towards unbundling of prices, suggesting that the core, underlying product can be relatively cheap, with additional, bespoke 'extras' built around it, a system that would allow for different models and different pricing schedules.

Another panellist expanded on this, noting that the rise of financial technology could help clients to tailor their own services, again, through giving them access to more of their own data. This way, a model would exist where net costs are reduced, asset managers can select their own services, and there will be more flexibility in the way custody is priced.

In another session, representatives from the realm of asset management addressed whether their network managers were meeting their needs. In another audience poll, when custodians and sub-custodians were asked what they perceive to be the most important part of their relationship with network managers, 61 percent answered that it was seeing full collaboration across the value chain.

The importance of receiving timely, relevant and real market information was considered the most important aspect by 32 percent of respondents, while 7 percent thought the most important thing for asset managers was to be listened to by global custodians.

However, one panellist, Lisa Martinez of asset manager Capital Group, pointed out that “we’re not even the end clients”, suggesting that it should be a common goal of asset managers and custodians to make sure shareholders get the value they want.

She added that, although it takes a lot of resources, knowledge of client needs is also an important part of the custody service. Specifically, asset managers want someone with regional expertise, and who is available in their time zone to answer questions, she said.

Gretchen Larson of Franklin Templeton Investments noted that collaboration is key to keeping asset managers informed about the markets they’re invested in, noting that passing on an element of local knowledge can be helpful for knowing what is happening, or what is about to happen in a market.

“That is where we look to have the discussions,” Larson said, stressing that with the responsibility for asset safety comes the need for accessing powerful information.

Talk later turned to the Target2-Securities (T2S) project, and wave three of implementation battle plan, scheduled for September. Although this will represent the half-way point of the implementation, panellists agreed that there is still a lot of work to be done to achieve such a significant overhaul, and to reach the level of pan-European harmonisation intended.

Edwin de Pauw, a representative of Euroclear, which is implementing T2S in its Belgian, French and Dutch central securities depositories (CSDs) in wave three, suggested that although the T2S rollout began almost a year ago, the industry is still only in the beginning stages of the story.

He added, however: “When we get beyond the waves we can start to swim in the ocean of opportunities ahead of us.”

Another poll asked audience members to rate the importance of harmonisation in T2S. Almost half, 48 percent, named harmonisation as the project’s biggest benefit, while a further 33 percent said it is as important as T2S itself.

De Pauw warned that custodians should not ignore the benefits that harmonisation brings, suggesting that it will also mean better interoperability between different markets. He added that there are still concerns around harmonising tax and registration processes, and that it will be a challenge to even define standards in these areas.

He suggested that the industry should focus on achieving efficiency in cross-central securities depository settlement before developing anything new. If custodians get too ahead of themselves, this could create additional problems.

“Let’s focus [on getting] to the end of the avenue on which we have started,” he said.

Regarding the future of the T2S network, the European Central Bank’s Dirk Bullman outlined the bank’s ‘Vision 2020’ strategy, which includes working to increase volumes on T2S, and ensuring that the infrastructure is in line with clients’ needs.

Bullman also addressed the increasing hype around blockchain technology but suggested that, although it could be helpful in some areas, it may be wiser to be patient, identifying specific problems and then assessing what could be the best way to correct them.

The easiest fix is not always going to be blockchain, he said, adding: “When you have a hammer, everything looks like a nail.”

Expressing a similar reserve around the blockchain technology, one not usually seen at such events, speakers in a distributed ledger session suggested that the technology is not likely to disrupt the industry too heavily, at least in the near term.

When the audience was asked which custody services are likely to adopt blockchain first, 58 percent of respondents identified settlement services, compared to 13 percent who said it will be asset servicing. However, 28 percent said it will be a different, new service.

HSBC’s Stephen Bayly suggested that blockchain will be adopted in areas that are not currently very automated, and where revamping technology would not mean increasing costs, while Euroclear’s Angus Scott agreed that it will be adopted in areas where there is value to be gained from using it.

Scott suggested this is likely to be in areas where currently data is not shared efficiently, and that through adoption and usage, industry standards will evolve. Firms will “find ways to make it operate, find ways to make it valuable”, he said.

However, the regulatory dragon was to return to the floor, with the audience identifying this as biggest barrier to adoption of blockchain.

In a final audience poll, 49 percent of attendees identified regulation as the biggest ‘blocker’, while 22 percent said their main issue was finding a compelling business case. Security and interoperability were also identified as barriers, receiving 16 percent and 13 percent of the vote, respectively.

Although panellists generally agreed that regulators themselves have been supportive of blockchain developments, Scott pointed out that there are not currently many concrete use cases for the technology, nor many concrete business strategies for regulators to either approve or reject.

Another barrier to adoption was identified by Bayly, who suggested that, as the technology is still relatively young, “there isn’t a large pool of expertise to draw from”.

Currently, he said, the technology is not in a position to completely change the industry, and that in this regard, firms should be careful not to try to run before they can walk.

The stakes are high and the future unclear, but, network managers are changing with the times and, at least in Croatia, winter is a way off yet. **AST**

# A lion amongst the pigeons

## The UK's 'Brexit' is causing a stir from the steps of the Bank of England to the fintech firms in Shoreditch, but the country is strong enough to see it through, and there's no need to get in a flap just yet

The UK has voted to leave the EU, leading to the resignation of the prime minister, leadership scraps in the two main political parties, the sharpest drop in the value of the pound on record, and a reported $2 trillion lost in global stocks.

In a speech in the immediate aftermath of the result, Mark Carney, governor of the Bank of England, stressed that there will be no immediate change "in the way our goods can move or the way our services can be sold".

He went on to outline provisions that the Bank of England and UK institutions have made in the event of an exit vote, intended to "support orderly market functioning in the face of any short-term volatility".

Capital requirements for banks are now ten times what they were before the financial crisis of 2008, and the Bank of England has been conducting stress tests to scenarios more extreme than what the UK is currently facing.

UK banks have raised £130 billion in capital, and £600 billion in high-quality liquid assets, and the Bank of England itself has pledged an additional £250 billion to support the markets.

Carney said: "We expect institutions to draw on this funding if and when appropriate, just as we expect them to draw on their own resources as needed in order to provide credit, to support markets and to supply other financial services to the real economy."

He went on to reassure that the bank will cooperate with all relevant authorities: "to ensure that the UK financial system can absorb any stresses and can concentrate on serving the real economy."

However, in a second speech on 30 June, Carney not only hinted that a cut to interest rates could be on the cards, but laid out the "uncomfortable truth" that, in maintaining financial stability, "there are limits to what the Bank of England can do."

The interest rate in the UK is already set at 0.5 percent, and while popular opinion has suggested it could be raised in the future, Carney said that since the referendum result was finalised on 24 June, "the economic outlook has deteriorated, and some monetary policy easing will likely be required over the summer".

He said: "The future potential of this economy and its implications for jobs, real wages and wealth are not the gifts of monetary policymakers."

"These will be driven by much bigger decisions; by bigger plans that are being formulated by others."

### Free movement

Elsewhere, the industry is collectively considering its soon-to-be status as a third-country, requiring passporting rights in order to be able to trade in the EU.

The UK Financial Conduct Authority stressed: "Firms must continue to abide by their obligations under UK law, including those derived from EU law, and continue with implementation plans for legislation that is still to come into effect."

This includes Solvency II, which came into effect on 1 January, and is currently in the stages of implementation. Jonathan Howe, UK insurance leader at PwC, suggested that too much time, effort and money has been invested into Solvency II, pointing out that it is already enshrined into UK law.

"The insurance industry should not expect significant dissolution of 'cumbersome' EU regulation, given the perception that the UK has a history of 'gold plating' insurance regulation," he said.

Similarly, the UK will be treated as a third-party jurisdiction within the Markets in Financial Infrastructures Regulation (MiFIR) and Directive (MiFID) II. According to a statement from Deutsche Börse, the UK will

come under pressure to maintain standards equivalent to those of the EU, particularly in anything categorised 'investment services' under MiFID II and MiFIR.

The statement said: "Even this will be very difficult since MiFID II/MiFIR are quite indifferent as to what is 'equivalent' with their standards."

"What's more, non-European firms residing in the UK will, once the UK has left the union, face the same problem. Where they were equally compliant with all EU regulation once compliant with UK regulation, these privileges drop unless a circumventing legal framework replaces the current."

For fund managers in the UK, the Alternative Investment Fund Managers Directive (AIFMD) is also a cause for question. A paper from law firm Debevoise & Plimpton suggested that with regards to AIFMD, the status of UK fund managers post-Brexit is as yet unclear, and will depend on the upcoming negotiations.

If the UK, when leaving the EU, also leaves the European economic area, the paper said, fund managers will have to gain access to a marketing passport in order to market their funds in the EU.

Currently, the European Securities and Markets Authority (ESMA) is assessing non-European jurisdictions for passporting rights, but the process is lengthy.

"Presumably the United Kingdom will need to join the orderly queue of non-European jurisdictions for ESMA 'marketing passport' assessment," the paper said.

In this respect, Guernsey, a British crown dependency outside of the EU, which was granted an AIFMD passport in July last year, has found itself in a unique position.

The island has named itself a 'safe haven' for financial services, and its policy and resource committee has pledged to negotiate with the UK government to: protect the Guernsey's interests throughout the exit agreement; to protect its constitutional relationship with the UK; and to look into opportunities for establishing new trading relationships.

Gavin St Pier, chief minister of Guernsey called the island "an oasis of stability". He said: "We are a safe haven for financial services—in or out of the EU—and we are a safe haven physically for those who want to relocate here."

## Techno-babble

In the world of financial technology, the potential regulatory complications on the horizon are breeding concern that the City of London could lose its reputation as the 'fintech hub of Europe'.

As a fintech professional based in the capital, Emmanuel Lumineau, co-founder and CEO of online real estate investment platform BrickVest, suggested that, while fintech companies in London are currently regulated by the FCA, "firms will eventually need to find a new regulator on the continent in order to continue doing business across Europe".

He suggested that BrickVest and other fintech companies may have to move to the likes of Paris, Frankfurt or Berlin, which offer an EU-regulated environment. Lumineau said: "Ultimately, the UK's exit from the EU will limit the growth potential of UK-based fintech companies."

"These companies, as they will no longer be equipped to navigate the complex regulatory environment across borders, will be confined to doing business only in the UK. Eventually it will lead to London losing its fintech hub status."

In addition, a statement from growth strategy firm Frost & Sullivan suggested that the UK could struggle to attract the right people, with the right skills, to its fintech sector, preventing businesses from growing as much as they could—or as much as they have done in the past. Similarly, EU citizens already working in The City could seek opportunities elsewhere.

The statement went on to note that non-European firms, particularly in the US, tend to view the UK as a "gateway" to the EU. It said: "With such uncertainty, will major IT providers want to retain their European headquarters in the UK, or will the lure of operating within the EU work to the benefit of Paris, Frankfurt and others?"

## Conscious uncoupling

The vote to leave the EU has also cast a shadow over the Deutsche Börse and London Stock Exchange Group (LSEG) merger talks.

The two exchanges maintained in their 1 June shareholder documents that the planned 'all-share merger of equals' was not dependent on the outcome of the referendum. The day after the vote, they released a joint statement reiterating this and expanding to say the outcome does not, and will not, affect the "strategic rationale" of the merger.

However, John Colley, professor of practice in the strategy and international business group at Warwick Business School, feels differently.

Colley said: "The rationale for the merger has undoubtedly changed, and perhaps the boards of LSEG and Deutsche Börse would do well to reconsider the rationale for the deal."

"Shareholders vote shortly on the merger and it must be anything but clear what they are voting for."

He went on to suggest that jobs at the exchanges are not guaranteed, adding: "Staff uncertainty results in substantial reductions in efficiency."

Colley said the boards of Deutsche Börse and LSEG have a difficult choice on their hands: go ahead with the merger and deal with the unknown consequences, or hold back, risking breakdowns in discussions and opening LSEG to takeover bids from elsewhere.

Although both LSEG and Deutsche Börse declined to comment, in their joint statement on 24 June, Joachim Faber, chair of the supervisory board of Deutsche Börse and chair of the Deutsche Börse-LSEG referendum committee, said: "The decision of the UK to leave the EU makes it ever more important to maintain and foster ties between the UK and Europe."

"We are convinced that the importance of the proposed combination of Deutsche Börse and LSEG has increased even further for our customers and will provide benefits for them as well as our shareholders and other stakeholders."

Volatility in the market seems imminent and inevitable—at least, that is about the only thing the industry can agree on. However, despite the challenges and hard work ahead, the mood is generally positive. Even in his ominous second speech, Carney called the UK "one of the most flexible economies in the world", while other notable voices have hinted towards timely opportunities in alternative investment.

Succinctly capturing the mood of the industry, Ian Powell, chair and senior partner at PwC, maintained that, although business confidence could be affected by the market uncertainty, "history has taught us that UK business is adaptable and innovative when confronted with new challenges and opportunities". **AST**

# Industry Events

## Sibos

**Date:** 26-29 September
**Location:** Geneva

Sibos is the world's premier financial services event. Sibos is the annual conference, exhibition and networking event organised by SWIFT for the financial industry. What started out as a banking operations seminar in 1978 has grown into the premier business forum for the global financial community to debate and collaborate in the areas of payments, securities, cash management and trade.

winds of change were a recurring theme at the Association of the Luxembourg Funds Industry (ALFI) Global Distribution Conference this month, with digital innovation, the ever-shifting world of regulation, and the changing face of pension funds all featuring, while the weather also pro-

## 10th Annual Collateral Management Forum

**Date:** 21 October
**Location:** Amsterdam

The 10th edition of the Annual Collateral Management Forum in Amsterdam is looking to offer an overview of the most crucial topics in the field today. In a shifting regulatory enivornment, with the margin requirements soon to come into play, the call for advanced tools for collateral management is as loud as ever.

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For more events visit assetservicingtimes.com/events/events.php

# Industry **Recruitment**

## Broker/Commission Manager, Asset Management

**Recruiter:** Alexander Ash
**Location:** London

My client, a leading buy-side firm, is looking for a broker/commission manager to join on a permanent basis. This role sits within the front office and the successful candidate will be responsible for the production of the broker review and for managing the commission process.

## Fund Administration, Custody

**Recruiter:** Alexander Ash
**Location:** London

For this global financial services organisation we are looking for a business analyst with excellent fund accounting and custody experience. The role will involve working on a variety of projects within fund accounting and custody and similar business functions.

## Senior Business Process Improvement Analyst, APAC

**Recruiter:** HornbyChapman Ltd

We are looking for a solutions analyst to act as a consultant and partner with the business community, technology project teams and business partners elicit, clarify and translate business requirements into documentation and conceptual design from which applications and solutions are developed.

## C++ Developer, Brokerage

**Recruiter:** Selby Jennings
**Location:** Hong Kong

Hong Kong brokerage looking for a top C++ developer in their exchange connectivity division. If you're interested please apply online.

# Movers and shakers and SS&C, Euroclear, the SEC and more

**SS&C Technologies has appointed Will Entwistle as senior vice president of institutional and investment management solutions.**

Entwistle joins from Interactive Data Corporation, where he was vice president of wealth management and trading solution sales for the Americas. He brings almost 20 years of experience in the financial services software industry.

In his new role, based in New York, Entwistle will be responsible for building and leading SS&C's North American sales team, and will contribute to the continued growth of the business in general.

Christy Bremner, senior vice president and general manager of the SS&C institutional and investment management division, said: "Will Entwistle brings a deep understanding of the challenges asset and wealth management clients face in optimising their operations."

She added: "I am delighted to have [him] on board to help drive a customer-centric approach to selling our solutions."

Entwistle commented: "SS&C is helping the world's leading financial services organisations overcome the increasing complexity of managing an investment operation."

He said: "The breadth and depth of SS&C's offerings is unparalleled and evident. I am excited to lead the effort to deliver that value to our clients and the market."

**Katrina Sartorius has been appointed to the role of global head of FundsPlace, Euroclear's global infrastructure for funds.**

Previously, Sartorius was head of product management for Euroclear in the UK and Ireland, Euroclear's UK central securities depository. She is also a member of the Euroclear UK and Ireland executive management committee.

Sartorius joined Euroclear in 2000 from the Bank of England where she was a business analyst for the euro and for cash management systems.

In her new role, she will report to Stephan Pouyat, global head of capital markets and funds services.

The Euroclear FundsPlace seeks to connect wealth managers, institutional investors, transfer agents, custodians and fund managers, providing better transparency, control and efficiency in the entire funds lifecycle.

Participants from all areas of the industry can access the environment securely and in an automated way.

**The US SEC has promoted Catherine Dabney O'Riordan to the role of co-chief of the division of enforcement's asset management unit.**

The specialist unit is focused on misconduct by investment advisors, investment companies and private funds.

O'Riordan succeeds Marshall Sprung, who left the SEC in April, and will be working alongside co-chief of the unit Anthony Kelly.

Previously, O'Riordan was an associate regional director in the SEC's Los Angeles office. She joined the SEC in 2005 as a staff attorney in LA, and joined the asset management unit when it was created in 2010.

She was also counsel to the director of the division of enforcement, and became an assistant director of the unit in 2012.

O'Riordan has experience in investigating and supervising on enforcement cases, addressing various types of misconduct in asset management.

"She has also worked on investigations into so-called 'gatekeepers', including auditors on private funds, accounting firms looking in to custody issues, and brokers accused of ignoring misappropriation of client assets.

Andrew Ceresney, director of the SEC's enforcement division, said: "Catherine Dabney O'Riordan's excellent judgment, deep knowledge

of the laws and rules governing the asset management industry, and strong leadership skills position her perfectly to co-lead the nationwide asset management unit."

O'Riordan added: "I am honoured to lead the Asset Management Unit with Anthony Kelly."

She said: "As someone who joined the unit at its inception, I have seen the talent and dedication of the unit's staff in policing a vital industry that investors have entrusted with trillions of dollars in assets, and I look forward to continuing to build on the unit's many successes."

**Two of the International Securities Lending Association's (ISLA) board members are set to step down this year, according to Andrew Dyson, ISLA COO, speaking ISLA's conference in Vienna.**

Casey Whymark, co-head of securities lending and financing at UBS, and Duncan Wilson, executive director at J.P. Morgan will both vacate their positions half way through their tenure.

Andrew Dyson, who announced the news at the opening of the ISLA 25th Annual Securities Lending and Collateral Management Conference, extended an invitation to all ISLA members to volunteer to take on the positions.

The news comes shortly after Kevin McNulty, ISLA CEO, announced his decision to step down at the end of this year's conference, after seven years at the helm.

Dyson will take on the CEO role with immediate effect following McNulty's departure.

**Mark Blank has joined GFT Group from FIS, as a business development executive covering the North American investment banking and vendor community.**

Previously, Blank was an account manager and relationship manager at SunGard, and continued as a relationship manager after it was acquired by FIS.

He has also held roles as assistant vice president of relationship management, sales and client services at J.P. Morgan Chase and Co. and as a collateral manager at BNY Mellon. In his new role, Blank will be based in New York.

Sonia Whang, head of business development at GFT USA, said: "We are delighted to welcome Mark Blank to the team. With the continued squeeze on liquidity and the race for high quality liquid assets, there is no doubt that his extensive experience in this area will be invaluable." AST

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