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Clearstream and ICE team up for collateral management

Clearstream and ICE Clear Europe are collaborating to create a triparty margin collateral management service, linking the London-based central counterparty (CCP) to Clearstream's Global Liquidity Hub.

Customers of Clearstream's international central securities depository (ICSD) will be able to use the Global Liquidity Hub to manage margin requirements at ICE Clear Europe, while ICE clearing members will have a link, through the hub, to a triparty collateral management solution.

ICE Clear Europe members can deposit securities and use them as collateral, managing their risk exposures in an automated and efficient collateral environment.

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IOSCO and BCBS delay margin amendments

Changes for margin requirements for non-centrally cleared derivatives will be delayed by nine months, the Basel Committee on Banking Supervision and the International Organization of Securities Commissions (IOSCO) have agreed.

Revisions to the margin requirements framework were originally published in September 2013, after two public consultations. Because of the complexities around the changes, implementation for both initial and variation margin will be extended.

The committee and IOSCO also agreed that they would adopt a phase-in arrangement for exchange variations margins.

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Custom House to go it alone

TMF Group and Custom House Global Fund Services are going to separate, creating an independent, standalone fund services operation.

The move is part of the acquisition of Custom House by parent company TMF Group, and comes as a response to market changes and increased demand for independent fund administrators in the alternative asset sector.

Terms were signed at the end of 2014 by Custom House CEO Mark Hedderman and director James Osborne, who will purchase TMF Group's fund services business.

Hedderman said: "The best opportunity for a fund administration business to succeed is to be truly independent. The management of Custom House believes that the fund administration sector is evolving and there is a return to a premium of being a truly independent administrator that has been lost for quite for some time."

"We want to position ourselves to be part of that rebirth of that concept and this deal allows us to refocus our business to become completely geared toward funds administration services.

The deal includes TMF Group's fund services operations in Australia, Singapore, Hong Kong, Bulgaria, Malta, the Netherlands, Ireland and the US.

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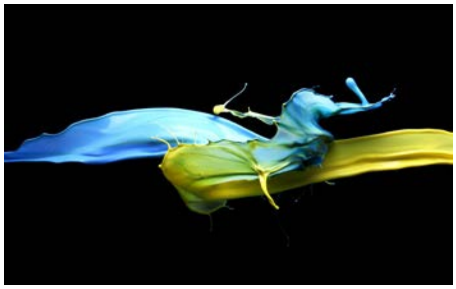

Custom House to go it alone

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The Luxembourg services will remain with TMF Group. The deal is awaiting regulatory approval.

"Custom House has been known and respected in the market since 1989 and has served some of the world's biggest hedge funds, including Bridgewater and Winston," said Hedderman.

"Like everyone else, we have had to adjust to a changing financial and corporate landscape, but we are a young management team, we are excited to re-launch with the same vigour and spirit that we had 25 years ago and to continue to build toward a position of dominance as the go-to, gold standard for global independent mid-tier administrators."

Clearstream and ICE team up for collateral management

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The new service supports a move to improve stability of capital markets through increased trades. It is designed to help prevent bottlenecks when sourcing the correct high-quality collateral to meet margin requirements.

Stefan Lepp, head of global securities financing and member of the executive board at Clearstream, said: "ICE Clear Europe customers will now benefit from streamlined triparty collateral management through our Global Liquidity Hub."

He added: "This new partnership is part of our strategy of enabling customers to use the Global Liquidity Hub as a single source of liquidity to collateralise multiple global exposures in a streamlined and optimised manner. More importantly, users of the Global Liquidity Hub will be able to manage all cleared activities from a single location."

Paul Swann, president of ICE Clear Europe, said: "[We are] committed to providing enhanced clearing services to help members comply with new regulatory requirements. Clearstream's tri-party collateral solution provides ICE Clear Europe members with an additional and efficient way of meeting initial margin requirements via one of the best linked collateral pools globally."

IOSCO and BCBS delay margin amendments

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The beginning of the phase-in period for collecting and posting initial margin on non-centrally cleared trades will be moved from 1 December 2015 to 1 September 2016, with the full phase-in schedule being adjusted to reflect the delay.

Progress of implementation will still be monitored to ensure consistent implementation across products, jurisdictions and market participants. This includes monitoring domestic rule-making as well as guidance on validation and back-testing.

IOSCO and the committee will also liaise with the industry as participants develop initial margin models required for compliance.

This engagement is intended to ensure that emerging quantitative margin models comply to the framework, but will not review of approve any particular initial margin model.

BNP Paribas secures Australian super fund

BNP Paribas has been appointed custodian and administrator for Australian super fund First Super.

First Super is the industry super fund for timber, pulp, paper, furniture and joinery. It has about 69,000 members and more than AUD $2.2 billion in funds under custody.

First Super CEO Bill Watson said: "BNP's suite of reporting, risk management and analytics will enable the trust to meet increasing regulatory demands, while providing its board and investment committee with enhanced reporting and risk management monitoring."

He added: "The BNP Paribas team understood our need to deal with an ever-changing regulatory landscape."

Ian Perkins, acting head of BNP Paribas Securities Services in Australasia, added: "We are delighted to have been appointed by First Super after extensive due diligence. We look forward to providing them with world-leading custodial services, including investment performance reporting, risk analytics and online solutions."

"We will also help First Super optimise operational processes including investment performance reporting, minimising risks through world-class analytics, enhancing performance returns for their members and providing online solutions—all through a single platform."

Record assets under custody for Clearstream

Clearstream's figures for assets under custody have reached a record high, increasing 9 percent to exceed €13 trillion.

Assets held under custody on behalf of customers increased from €12.1 trillion in February 2014 to €13.2 trillion in February 2015.

Securities under custody in Clearstream's international business, the international central securities depository (ICSD) and in the local German CSD also saw jumps of 9 percent.

Securities in the ICSD increased from €6.4 trillion in February 2014 to €6.9 trillion in February 2015. Those in the German CSD increased from €5.7 trillion to €6.2 trillion.

The combined value of assets under custody in the international and German CSD combined reached a 2015 year-to-date total of €13 trillion, an 8 percent

increase on €12 trillion in the same period in 2014.

In the settlement business, in February 2015, the ICSD processed 3.9 million transactions, a 7 percent increase on last February's total of 3.7 million. Of February 2015's transactions, 80 percent were over-the-counter and 20 percent were registered as stock exchange transactions.

On the German domestic market, CSD settlement transactions totalled 7.8 million, 14 percent more than in February 2014, which saw 6.8 million transactions processed. Of February 2015's transactions, 35 percent were over-the-counter, and 65 percent were on the stock exchange.

Year-to-date, the ICSD and CSD transactions combined saw a jump of 7 percent compared to the same period in 2014, increasing from 21.8 million to 23.5 million.

Investment fund services (IFS) processed 800,000 transactions in February 2014, a 17 percent increase on 700,000 in February 2014.

Year-to-date, IFS transactions increased by 11 percent from 1.5 million in 2014 to 1.7 million in 2015.

Marc Robert-Nicoud, member of the executive board responsible for strategy, pricing and communications at Clearstream, said: "These record numbers are remarkable because they reflect healthy growth across all Clearstream service lines. This growth is clearly driven by new and existing customers bringing additional assets to Clearstream."

He added: "Our attractiveness is grounded on a business model that combines the innovation power of a commercially driven organisation and the reliability and stability of a financial infrastructure. The recent spike in our business drivers is also attributable to the offering we have developed around T2S"

"Customers have been very receptive to the way we have integrated settlement, custody, collateral management and CCP clearing services for all asset classes, including investment funds. It is very rewarding to see this materialise in business growth."

These figures will not include the assets under custody or volumes of Citco Bank, which was acquired by Clearstream last year, until it has fully migrated its financial systems, a move planned for Q3 2015.

Northern Trust: reforms mean more diverse market

A pensions reform in the UK would lead to major changes and a greater diversity of products, but won't completely displace annuities, according to research by Northern Trust and independent forecasting centre Create-Research.

The research outlined five major changes that are likely from eliminating mandatory annuitisation in the UK, stating that diversified income funds are likely to be immediate beneficiaries, and that exchange traded funds will also benefit as the focus shifts towards the impact of fees on retirement balances.

According to the report, defined benefit plan participants will end up migrating to defined contribution funds, and this movement of money will encourage the development of new funds.

It predicted a change in competitive dynamics between insurance companies and asset managers, as insurers evolve to offer additional services such as annuity with healthcare, life insurance or disability benefits.

The role of advisors could also change as customised advice will be available to clients with higher savings, and embedded advice will be more common for lower-balance funds.

Penelope Biggs, head of the Northern Trust institutional investor group for Europe, the Middle East and Africa, said: "The reform of the UK pensions market is likely to radically alter the retirement industry as a whole."

"This will result in true innovation and a greater diversity of products from institutions, and more choice for individuals—the impact will be felt across almost the entire population of the UK."

Amin Rajan, CEO of Create-Research, said: "These changes are the most ambitious in living memory and represent a major transformation of the UK pension market."

He added: "Investors will, as a result of the changes, have greater choices in retirement planning, selecting annuities, savings or other investments, but also greater individual risk, raising fresh concerns around the quality of advice and levels of financial literacy across the country."

SunGard launches derivatives clearing utility

SunGard has launched a new industry utility for post-trade futures and cleared over-the-counter derivatives operations, intended to help firms to adapt with market changes and respond to post-crisis regulatory cost pressures.

The utility is designed to allow derivatives brokers, including futures commission merchants, to improve efficiency and reduce operational risk, as well as reducing the total cost of ownership, by using economies of scale in middle- and back-office processing and technology.

Barclays will be the utility's first customer, and will migrate some futures, OTC derivative clearing operations and technical processes. Some Barclays members of staff will also transfer to SunGard.

As well as derivatives clearing operations, SunGard's utility customers will be provided with technology services for trade clearing and trade lifecycle management, margin processing, brokerage, reconciliation, data management and regulatory reporting.

This will all be underpinned globally by existing SunGard solutions.

Brian Traquair, executive vice president at SunGard, said: "Post-trade cleared derivatives processing is highly commoditised, providing little differentiated value to each firm at increasingly higher costs, due to today's regulatory environment."

"SunGard's post-trade derivatives utility will help transform the cleared derivatives middle and back office across the entire industry, resulting in a more sustainable operating model and cost structure for the future."

Tim Stack, head of agency derivatives services at Barclays, commented: "Barclays has always taken a proactive approach to managing its business and adapting to regulation. By taking this leadership position with SunGard, we are able to provide our clients with a practical solution that keeps our products and services at the forefront of the industry."

"We are confident that this utility is a transformational change for the industry, and that it will help provide clear benefits to our clients, to Barclays and to the industry as a whole."

OpenGamma reaches out to OTC derivatives industry

Structure solutions provider OpenGamma is partnering up with dealers and other participants in the over-the-counter derivatives market to deliver an open-source solution for bilateral margin on derivatives trades.

The solution will implement the International Swaps and Derivatives Association's (ISDA) final standard initial margin methodology, which is currently in development and will meet the Basel Committee's requirements due to be implemented in December.

Full transparency and open access to source codes intend to empower industry participants to have an independent and verifiable calculation that, for the first time, will not be controlled by any one entity.

The source code used for calculation of margin will be available to all market participants, and they will be able to use it for their respective utilities and proprietary trading systems. This could lead to an industry-wide consistency that was not previously possible.

The first release of the solution will be a historical value of risk model from the original ISDA paper. This will be followed, subject to industry approval, by a new version based on different methodology.

Source codes will be released on an open-source website and collaborative software development environment, Github.com. Here, all open source models will be in one location, allowing for evaluation and verification of various methodologies, and feedback from market participants.

OpenGamma CEO Mas Nakachi said: “With capital scarce, financial firms are more focused than ever on developing high-value, proprietary innovations rather than re-creating industry-standard methodologies.”

He added: “That’s why we’re working with the industry to streamline and democratise the development of market structure solutions, which also fundamentally reduces operational and systemic risk through the inherent transparency of open source code. We believe the future of OTC market structure will be driven by the need for transparency and will therefore be based on open standards.”

SGSS secures French insurance mandate

Societe Generale Securities Services (SGSS) has been selected by French insurance company IP Valmy to provide custody, depository and valuation services for about €800 million in assets under custody.

IP Valmy’s funds were previously managed by about 10 asset management firms. It selected SGSS because of its expertise as a custodian and depository, and its experience in the valuation of financial assets. It also paid particular attention to its ability to provide standardised data.

The mandate illustrates the growing need for the valuation of financial instruments for improved transparency in portfolios, as well as the increased levels of data required by regulators.

First accounts move to Ireland’s ICAV funds

Permal Group is moving some of its British Virgin Island accounts to Ireland, after the Irish Collective Asset-management Vehicle (ICAV) was signed into law.

The alternative asset manager will move a total of almost $4 billion from separate accounts to a newly launched ICAV.

The ICAV is a new vehicle for Irish investment funds, and will provide a tailor-made corporate fund vehicle for both UCITS and alternative investment funds. It is designed to reduce the administrative complexity and costs of establishing and maintaining collective investment schemes in Ireland.

It is a bespoke piece of legislation, drafted with the specific needs of investment funds in mind, and will not be affected by changes to existing legislation that targets trading companies.

The bill also includes a mechanism for non-Irish investment companies to migrate to Ireland and become an ICAV in a single process, and allows for more streamlined audited accounts, easier processes to amend constitutive documents, and the ability to choose ‘check-the-box’ classification for US investors.

Pat Lardner, CEO of the Irish Funds Industry Association, said: “The ICAV legislation is an important further step in strengthening Ireland’s standing as a leading domicile for international funds and demonstrates that we are continuing to take a pro-active approach in meeting the evolving needs of fund promoters.”

“We have worked closely with both the Irish authorities and the fund management community to ensure the ICAV is tailored to meet the investor’s needs. The ICAV will also provide an additional option for promoters, complementing the established range of Irish fund vehicles available here.”

Omar Kodmani, CEO of Permal Group, added: “By creating ICAVs, Ireland has developed a first class onshore structure—a move that enhances its status as a leading jurisdiction for regulated funds. This is the direction of investor tide, particularly for Europe where investors are seeking EU-domiciled fund structures and enhanced supervision by the likes of the Central Bank of Ireland.”

IntReal and Bouwfonds select CACEIS as depository

International Real Estate Capital Management has selected CACEIS in Germany to handle the depository functions for its real estate fund within the framework of the German Capital Investment Act.

The fund is a closed-end mutual-alternative investment fund investing in multi-storey car parks in the Netherlands.

The Berlin-based Bouwfonds Real Estate Investment Management Deutschland is acting as asset manager.

Bouwfonds launched closed-end funds up until 2013, since the Capital Investment Act came into force, the company has been using the platform of the Hamburg-based IntReal for this purpose.

IntReal also launched the most recent car park fund for private investors.

Michael Schneider, managing director of IntReal, commented: “As an independent service platform, we are pleased to work with CACEIS as additional depository.”

Deutsche Börse and BSE improve overseas connectivity

Deutsche Börse, Eurex and the Bombay Stock Exchange (BSE) have extended their strategic cooperation to offer connectivity services to market participants overseas.

As of Q2 2015, BSE participants will be able to use Deutsche Börse’s N7 network to connect back-ends in India to access points in Hong Kong and Singapore.

It will allow exchange participants to connect their trade execution systems to BSE’s equities, derivatives and currency markets offerings, improving connectivity for those BSE customers offering in the two jurisdictions.

Ashishkumar Chauhan, managing director and CEO of BSE, said: “We are pleased that Deutsche Börse is offering its N7 low latency network to our members and investors. This service will enhance infrastructure services available to BSE members and investors.”

“The use of N7 will bring Indian markets closer to larger customers abroad and attract more capital for Indian capital markets.”

Holger Wohlenberg, managing director of market data and services at Deutsche Börse, commented: “We are delighted to provide access for customers of our partner BSE as a further client of our global low latency network services.”

He added: “This is a further proof of the attractiveness of our fully resilient and low latency network services.”

Tom Bendixen, member of the board at BSE and senior vice president of Eurex, said: “Through this further cooperation initiative, market participants based in Hong Kong and Singapore can rely on the same stable and high-performance network infrastructure we have established for our market participants trading at Eurex Exchange.”

FSB consultation a ‘giant step backward’, says ICI

The president and CEO of the Investment Company Institute (ICI), Paul Schott Stevens, has criticised the Financial Stability Board’s (FSB) second consultation on classifications for global systematically important financial institutions (G-SIFI).

Schott Stevens said that the latest consultation on methodology to assess investment funds and asset managers for designation “appears to take a giant step backward”.

He added that the FSB “appears to have discounted key aspects to the extensive record placed before it”.

The changes would mean tighter regulations for systematically important firms, of those that are considered ‘too big to fail’.

According to Schott Stevens, the first consultation led to suggestions that designating regulated US stock and bond funds as G-SIFI would be “unnecessary and inappropriate”.

The new consultation, however, still singles out regulated funds as candidates for designation and retains an emphasis on the size of the fund with regards to designation.

It also adds additional criteria to include large asset managers. Schott Stevens suggested that this appears to target large US firms.

He said: "G-SIFI designation of regulated funds would harm these funds, their investors, the overall fund marketplace, and fund investing and capital markets at large."

ICI intends to file a comment letter on the consultation by the 29 May deadline.

Multrees selects Babel Systems platform

Babel Systems has signed contracts with Multrees Investor Services to provide its securities processing software as a key component of Multrees's custody and investment administration service for wealth managers and private investment offices.

Babel Systems's advanced web-based modular platform for the automated, real-time processing of multi-asset class investment instruments is intended to become a key component in Multrees's service offering including Multrees Compass, its interactive web portal for managing client assets.

The Babel Systems securities processing system covers order routing and execution, trade settlement, custody processing and automated corporate actions across asset classes and currencies.

"Advanced technology in wealth management is key to ensuring firms can increase the time they spend advising their clients and minimise the time spent on portfolio administration against a fast evolving regulatory landscape," said founder and CEO of Multrees Investor Services, Chris Fisher.

"Multrees Compass will transform the wealth advisers' experience and help them manage their clients' assets more efficiently."

Founder and CEO of Babel Systems, Steve Wise, commented: "We are delighted to form a partnership with Multrees, and were extremely pleased that this market-leading firm has selected us over many older established players in the market."

"The experience inherent in our team and the work that has gone into developing our product for this market has been recognised by Multrees, and we look forward to working with them."

BNP Paribas to assist French insurer

BNP Paribas Securities Services today has provided CNP Assurances with a first set of look-through reports to assist the insurance company with its Solvency II requirements.

In 2014, CNP Assurances mandated BNP Paribas to provide look-through reporting for 130 of its open-ended funds, which hold a significant proportion of its OPCVM (mutual fund) assets.

As part of the mandate, BNP Paribas is responsible for gathering and aggregating data from 43 asset managers working with CNP Assurances in order to calculate the Solvency Capital Ratio (SCR) of its funds.

Mikaël Cohen, director of investments at CNP Assurances, said: "Given the huge volumes of data to manage, we selected BNP Paribas Securities Services, a Solvency II and data management expert, following a competitive tender."

"The first results have proved convincing and will enable us to enhance our risk management under the directive. BNP Paribas Securities Services has become a real partner."

Patrick Colle, general manager at BNP Paribas, commented: "Our investment reporting and performance analysis team has developed a strong expertise in data management, helping ensure the quality of the data and of its sources required by the Solvency II directive."

Chapman's Eye on the market

Wake up and smell the jobs market

People in recruitment in the City are often called—among other things—'confidence canaries', as we are invariably at the vanguard of detecting whether the prevailing mood is positive, negative or flat. If sheer numbers and profile of recruiters are good indicators of the general well being of the jobs market at present, then it should be through the roof—of the Shard! Every coffee shop or public meeting place I frequent or pass nowadays, from Royal Exchange to the ubiquitous Starbucks to the lobby of The Savoy, is packed with highly eager young men and women, black Moleskine notebooks open, vigorously nodding and note-taking. Additional traits and features of many of these front-line warriors, as they style themselves, include suits sharp and on-message enough to impress UK chancellor George Osborne, haircuts that wouldn't look out of place on a Bros tribute band, and shoes which a Turkish soldier would kill for.

If you have some hours to kill, why not sit close to one of them and play recruitment bingo, winning a point for each time the phrases 'exciting opportunity', 'exponential increase in remuneration', or even, 'I feel you have everything my client is looking for' (a 'two-pointer', that one), crop up. You could even test their multi-tasking ability by saying in a loud voice to your telephone while the recruiter is in full pitch, "I'm really keen to move for even more money but simply cannot find a good recruiter", and then smiling as they feverishly try to engineer an introduction to you while not ignoring their current candidate.

Of course, there are various other well-known measures of confidence in the City, each of which reflect the vibrant nature and different aspects of our industry: the Champagne Index for example, reflecting how may bottles are being bought for celebratory purposes in London wine bars; the Crane index, which counts the number of cranes that can been seen in the skyline, mirroring how much new office space is coming on-stream; and that old chestnut, the so-called Hemline Index, first hypothesised by an economist in the 1920s, which states that the higher the average hemline is on skirts, the more bullish the general mood is.

Whichever of these indices is used the answer is the same. The market for good quality, experienced financial services people is experiencing a mini-boom, which, hopefully, the uncertainty about the forthcoming UK election will only suppress temporarily (the subject of the election itself is one which I'll cover in greater detail over the next few weeks). If you are looking for a role, I'd suggest you have a window of perhaps three months from now—while some summers are busy, most are dormant in terms of hiring as candidates, hiring managers and HR folk alike rest and recharge their batteries before a final post-holiday, Q3 push, and then the recruiting shutters come down.

My advice would be to check in with your recruiter, refresh and enhance your LinkedIn profile, and don't be afraid to go to firms directly if you are out of a role (using an intermediary recruiter can be more professional if you are in a role currently). I expect to see coffee shops becoming even busier in the coming months, and Turkish soldiers ever more envious..

Paul Chapman, managing director, HornbyChapman Ltd

Counting your change

Change is at the heart of asset management, and was at the centre of TSAM 2015. But, handle it correctly and it could add up to profit

STEPHANIE PALMER REPORTS

Whether it was technology, regulation or client expectations, the issue of change was on everyone's minds at the Technology and Strategy for Asset Management (TSAM) 2015 Conference in London in March.

Always a hot topic, regulations featured heavily, with many citing them as drivers of change, while Bill Joost, head of business change at Investec Asset Managers, pointed out that greater globalisation just serves to increase the pace of change.

The tighter regulatory environment and increase in international firms has led to increased levels of data, or, perhaps more accurately, better management systems for submitting relevant information to the regulators.

A keynote panel on the horizon of the regulatory landscape addressed this issue to the Annex IV reporting deadline for the Alternative Investment Managers Directive (AIFMD), which passed at the end of January.

William Amos, a director at the UK Financial Conduct Authority (FCA), said the authority is working to find a way to process the data more efficiently using technology, and that it is uncertain when the data will be fully processed.

He said: "That is what we are finding out now. There is a certain amount of cleaning of data."

He added that once the FCA has processed and organised the submissions, "at that point we will be talking to the industry".

Susan Wright of the Investment Association went on to question why investors receive "tons" of data on their investments, saying that much of this information may not be relevant to the clients, and that they may not even understand it. She said: "It just doesn't feel right."

Amos agreed, saying that client activity is likely to move online and onto mobile platforms, where generally simpler investment methods hand more power to the end users. He said: "It may be that there's a movement in disclosure."

Vincent Dessard, a senior policy advisor at the European Fund and Asset Management Association, added: "I strongly believe that we must educate."

Wright agreed with this sentiment, arguing that even large investors should be conscious of what their funds are doing. She said: "For too long institutional investors have just invested, and now the regulators are saying, you need to know what you are investing in."

This idea was echoed in another panel in the technology and operational strategy stream, as Joost argued that data should be more accurate and more accessible on the investments side. He said that data required for day-to-day operations are "usually solid", and that this should be the case for that needed for longer-term strategy.

Olivier Lens, SWIFT's head of funds and investment management for Europe, the Middle East and Asia, agreed, saying: "Our investors are changing [and] we need to be able to show what is happening."

One panel discussed what kind of change is expected in the industry in the next five to 10 years, and the opportunities that could arise.

While Rakesh Vengayil, COO for the Asia Pacific and emerging markets at BNP Paribas Investment Partners, anticipated a change in investor demands, and an increase in the importance of data requirements, he also predicted that opportunities could arise in emerging markets.

Janice Turner of AMNT suggested that pension schemes would become more involved in responsible investment, and that fund managers could be given a greater say in where their funds are invested, saying: "They feel like they have responsibility without power."

She suggested that smaller pension schemes are not currently expected to be involved in responsible investment, but pointed out that these collectively make up about half of the pensions industry.

The final panellist, Srivathsa Gopinath of Goldman Sachs Asset Management, highlighted the role of operations in the industry, particularly in the middle office.

He suggested that serious structural changes could be on the horizon, with more demand for product-based solutions. As the demand for transparency grows, investors will want to be more involved in operations, he said, adding: "Transparency is huge."

Gopinath said that a strong middle-office operations team could drive costs down, and suggested that asset managers should consider what is best for themselves and their clients when deciding whether to create solutions in-house, or to outsource.

Vengayil agreed with this, saying that "the position of middle office has shifted" and that operations teams will become more than service providers, acting more like partners.

The operational challenges were also addressed in the technology panel. Joost pointed out the struggle to maintain 'business as usual' while also implementing major operational changes, while chair Siobhan Doyle, head of investment operations at Schroders, raised the question of staff members using software such as Excel, which are not scalable or easily sharable.

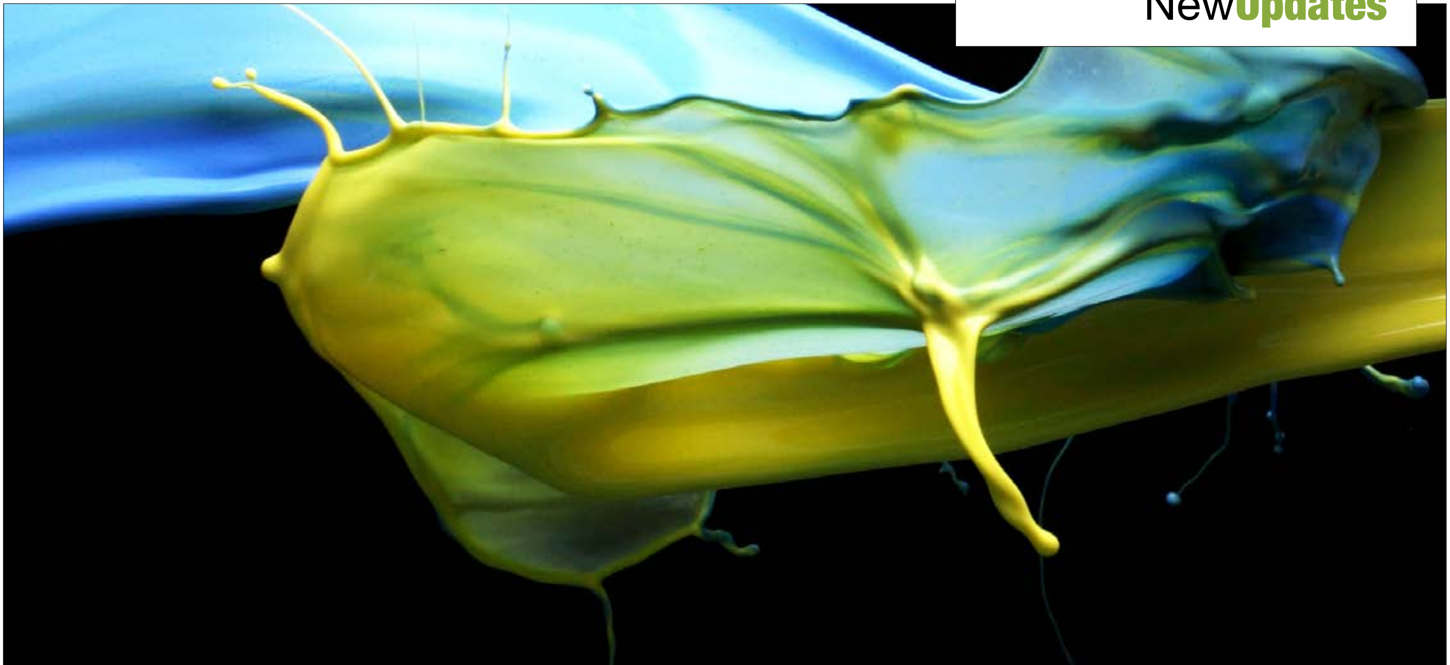
Paul Nathan, COO at Old Mutual Global Investors, said: "It's a culture change that is easy to say and hard to do."

Lens agreed that, in the long run, "if you don't have a scalable model it will cost you money", and added that a spreadsheet model is not conducive to transparency. He said: "A lot of that data is, today, in other spreadsheets, and how do we get that out to create transparency in all directions?"

The consensus seems to be that with the right people, methods and cooperation, firms should be able to handle change and that, crucially, in a modern landscape the one thing that is unlikely to change, is the promise of more change.

Nathan said: "We have been through periods of very rapid change and of moderate change, but never no change," pointing out that many firms have a backlog of major products going back as far as seven years.

To sum up, he added: "The pent up demand for change is inexhaustible." **AST**



When two markets collide

Temenos Group is buing fund administration software provider Multifonds for €235 million. Keith Hale reveals what it will mean for clients

STEPHANIE PALMER REPORTS

What are the benefits of this acquisition for Multifonds clients?

Temenos brings significant scale to the organisation. We are now a 4,000-person company, so effectively we have grown 10-fold overnight. There are huge benefits to being part of an organisation of that size.

From a client perspective, there are significant vendor risk benefits of transitioning from private ownership to being a publicly listed company with greater scale. It means that we're here for the long term, and that should offer more comfort to our clients.

Clients often get worried when acquisitions happen, however in this case, we're adding more corporate scale as well as more product and service capabilities, since our products are very complementary and not overlapping. Putting the two companies together creates significant synergies and value for our all stakeholders.

How about for Temenos? What does Multifonds bring to the table?

The fund administration market is a $20 billion market growing at a compound annual growth rate of 10 percent, with $8 billion spent on fund accounting, investment accounting and transfer agency technology—so there is significant growth opportunity in this market.

We bring to Temenos a major new market within banking software. Multifonds's client base includes many of the top tier firms in asset management and fund administration. Temenos's market was core banking and wealth management products, so it is adding our additional top tier clients to its roster and getting increased exposure to the asset management market that Temenos wasn't in before.

The result is that 38 of the top 50 banks are now customers of the group, so it's a pretty impressive combined portfolio of clients and products.

We've seen a few high-profile acquisitions recently. Is this one any different?

We've certainly seen a few, mainly overlapping competitive systems in order to buy market share. In some well-known cases the acquiring company is itself in competition with its own fund administration clients.

So we see this as an opportunity, since we will never be in competition with our fund administrator customers. We are not buying our market share by acquisition and so we do not have multiple competitive products in the third-party administration market, for example. I don't think that this is the right thing to do for clients.

Have you got any projects or developments lined up already? Or is it too early to say what will happen next?

Temenos and Multifonds are both best-of-breed vendors, but we're looking at combining solutions across areas and we have already found a number where we can complement each other with joint propositions. It's early days in integration at this point, but the possibilities are exciting.

What would you say to current Multifonds clients?

The one thing I want to reiterate is that it is business as usual for us. We hope to gain significant synergies from working with Temenos, that will mean improving our product and services so our clients won't be negatively affected. AST

Keith Hale
Executive vice president of client and business development
Multifonds

Easy NP-Peasy

As it welcomes new acquisition, Legis, Orangefield is perfectly placed to advise clients on the National Private Placement scheme, says Patricia White

STEPHANIE PALMER REPORTS

How effective is Guernsey's National Private Placement scheme in cooperation with AIFMD in Europe?

The National Private Placement (NPP) scheme is working really well for Guernsey in all key markets, especially the UK. It is particularly effective when funds are placing in three or four countries, making it easier to negotiate. If there are many more, there is the possibility that it may become too onerous.

Is the NPP a viable alternative?

Absolutely. Alternative investment fund managers using the NPP route have a quicker and cheaper option available to them than those required to be fully compliant with the Alternative Investment Fund Managers Directive (AIFMD), and this route should be chosen where possible.

Guernsey also offers a dual opt-in regime for those fund managers and depositories whose activities may require them to satisfy the full obligations of AIFMD when distributing funds into European and non-European countries.

Has it been easy for clients with Guernsey-domiciled funds to comply? What kind of legal challenges have they encountered?

Post-implementation of AIFMD, it has proved to be a surprisingly smooth process. Many smaller funds are out of scope of the directive as they fall within the de-minimise exemption levels. For the majority, marketing in a limited number of jurisdictions fits well with the NPP regime. Having positioned themselves with appropriate solutions prior to the implementation of the directive, all other managers have now adapted to the requirements of the regulation.

The Guernsey regime has options to secure compliance with AIFMD and has encountered no particular legal problems as a non-EU jurisdiction.

Mergers and acquisitions have been identified as an emerging trend in the offshore admin sector. Why is this?

This trend reflects renewed optimism in global markets and the widespread realisation that some markets remain under-priced, presenting an opportunity to buy into this space. Also the increasing costs and obligations of compliance with international regulation make mergers an attractive proposition.

What kind of benefits have Legis and Orangefield clients seen since the acquisition?

With our shared vision for continuous growth and development through the provision of award-winning service, and with the continued focus on the client, our collaboration is proving very successful. We have assets under administration in excess of $50 million and a presence in more than 20 jurisdictions, so fund managers can now leverage the global capability of the larger organisation, while receiving the continued bespoke service our clients have come to expect.

Guernsey is well positioned for continued success in funds and as part of Orangefield Legis, being part of a single-platform solution, we offer clients a one-stop shop. We assist fund managers in all financial centres, offering tailored solutions specialising in the administration of private equity, real estate and hedge funds.

What other trends have you seen emerging in the Channel Islands, and what do you expect to see in the rest of 2015?

Following a number of years where fund raising has presented a challenge, we are now seeing increasing numbers successfully launching.

We are also seeing the use of fund structures to fill the gaps left by the implementation of Basel II, in particular the use of equity structures that provide the benefit of debt as well as an increasing use of deal-by-deal structures as opposed to fully regulated fund vehicles.

This year's general election in the UK may also result in pause of activity, so subsequent trends may be dependent on the outcome. AST

Patricia White
Managing director
Orangefield Legis Fund Services

The strongest link

Uniquely positioned to connect China to the global funds industry, Hong Kong is doing just that, and it seems HKEx is just getting started

STEPHANIE PALMER REPORTS

It's a corner of the world where East meets West and the cultural wealth of China coincides with the order and affluence left over from British administration. In its official capacity, it's the Hong Kong Special Administrative Region of the People's Republic of China, an address that's as formal as it is a mouthful. But there is poetry here, too—the Cantonese Heūng Góng translates to Fragrant Harbour, a name promising opportunity and adventure in equal measure.

Towards the end of 2014, the Hong Kong Stock Exchange (HKEx) embarked on one such adventure, connecting with the Shanghai exchange and launching the Shanghai-Hong Kong Stock Connect. It allows investors to trade specific shares across the Hong Kong and China border. Now, almost six months on, Stock Connect has attracted A share trading from around the world, while HKEx reported record-breaking figures for 2015.

Stephanie Marelle, head of Hong Kong at BNP Paribas Securities Services, points out that these are still two very different markets, and challenges are unavoidable.

HKEx accepts that the culture difference was a significant issue to overcome, saying: "We had to find a way to connect the markets while respecting the differences between the current regulatory regimes in the mainland and Hong Kong. We also had to find solutions to the challenges of aligning two very different markets. The programme is based, generally, on home market rules."

While Stock Connect had a good dialogue with regulatory bodies, Marelle says that, when trading northbound, BNP Paribas clients were still faced with problems, specifically in pre-trade controls.

She says: "The ownership of each stock needs to be identified, requiring pre-delivery to a broker the day before execution to allow for central checking."

"Through these challenges the clients were potentially faced with counterparty, strategy and timing risks as well as issues of matching this process to their existing internal compliance and systems."

Just a month after the launch of Stock Connect, BNP Paribas launched its solution to support UCITS investing in A shares through the programme. It integrates BNP Paribas's securities services and registered broker businesses and means that assets will stay in custody with BNP Paribas, and that no additional securities would be delivered, as opposed to using the qualified foreign institutional investor (QFII) and renminbi QFII (RQFII), which is restricted by the quota allocation system.

Crucially, it will remove the need for transferring shares so far in advance.

"Clients do not need to bear additional operational or infrastructure costs and this is a real benefit that they are able to realise now," said Merelle. "Stock Connect provides a viable, additional alternative to RQFII and QFII quotas and further opens up access to this exciting market for more investors. In time, accessibility will create a greater level playing field for investors as further developments to Stock Connect are rolled out."

"As it all happens within our books, the trade now looks like delivery-versus-payment in a seamless manner."

In the five months since Stock Connect launched, various institutions have implemented similar solutions to smooth over the lumps and bumps in the system, and the consensus seems to be that, as a whole, it's been a success, both for investors and for Hong Kong as a financial centre.

A spokesperson for HKEx commented: "The arrangement enables Hong Kong to maintain a free-market economy that is based on capitalist principles and open to all. Hong Kong also has a large pool of financial-services professionals who have a wealth of combined experience working with companies from mainland China, mainland markets and the mainland's rules and regulations."

"Hong Kong is therefore an ideal point of access because of its strong ties with international investors as well as the mainland and its markets."

Meanwhile, the project is still developing, and Hong Kong is strengthening its position as a major point of entry to the mainland Chinese market. As the first of its kind, success in Stock Connect could pave the way for other similar agreements. Already, HKEx is working on a model with the Shenzhen Stock Exchange.

"We expect the next step for cross-border trading after Shenzhen to be the licensing of derivative futures, which we hope can happen this year," said HKEx.

"In addition, we have said from the beginning that the connect concept can be extended to other asset classes such as fixed income and commodities."

As the renminbi continues to rise as a global currency, and gateways open up for overseas investors to get a look in to China, there is an air of optimism around the Stock Connect model, and the future of Hong Kong looks to be getting ever brighter.

Merelle says: "Hong Kong can be proud of what it has achieved in rolling out Stock Connect."

"There has been some criticism on the level of take up but this should be put into context of the unique cross border trading solution, the differences in trading rules of both exchanges and the ambition for Hong Kong as the gateway to the internationalisation of the RMB."

Ultimately, she says, what has been important, and will continue to be, is the cooperation between financial firms and their regulators, and the shared desire to build an investment environment that's competitive and attractive to the global marketplace.

"As Stock Connect developments are rolled out, this will further enhance the market's appeal and competitiveness through providing more options to participants. So far, the developments that the regulator has communicated to date are all sensible and would add to the initiative." **AST**

Industry Events

FundForum Asia 2015

Date: 14-16 April 2015
Location: Hong Kong

You're invited to join over 550 top asset managers, fund selectors and industry experts attending FundForum Asia 2015, Asia's largest gathering for the Asset & Wealth Management community. You'll participate in executive-level conversation with 140+ top speakers and receive over 40 hours of exclusive content & best-practice strategies for navigating the Global Investment Management landscape.

3rd Edition Risk Data Aggregation and Reporting

Date: 28-29 April 2015
Location: London

This marcus evans conference will provide banks with a platform to see how their peers are managing their risk data projects in terms aggregation and reporting in the organisation. As the third edition this event offers the opportunity to encourage exchange on solutions for the major challenges that have arisen throughout the process so far.

Industry appointments

Mitsubishi UFJ Fund Services has appointed **Ken McCarney** as CEO.

Glenn Henderson, who previously held the position, is retiring but will remain an advisor at the firm. McCarney retains his current position as COO.

McCarney has experience in the financial services industry and joined the firm in 2007.

Prior to this, he was instrumental in the acquisition of Meridian Fund Services and integrating their clients onto Mitsubishi UFJ's global asset administration platform.

Takafumi Ihara, chairman of Mitsubishi UFJ Fund Services Holdings, commented: "McCarney's appointment is a reflection of our commitment to excellence in the fund services and wider asset servicing industry."

RBC Investor & Treasury Services, part of Royal Bank of Canada, has appointed **Andrea Cecchini** as managing director in Italy.

His responsibilities include business development, managing regulatory relationships and overall management of the firm in Italy. Cecchini joins with experience in financial services and most recently served as head of financial markets at Cariparma.

The appointment comes as the firm strengthens fund administration and distribution links between their Luxembourg activities and other European jurisdictions, particularly for UCITS funds.

Sebastien Danloy, head of continental Europe and offshore managing director, commented: "Cecchini substantial experience will ensure the relationship between our hub in Luxembourg and our local expansion is supported."

SWIFT has appointed **David Lefferts** as managing director of market initiatives for the Americas. Lefferts was most recently a member of the management team at Markit, where he held product development, cross-product strategy, and senior business development roles.

In his new role, he will be responsible for ensuring that SWIFT's products and services continue to evolve to meet customer requirements that are changing rapidly as a result of market, regulatory and technological developments.

Chris Church, CEO for the Americas and global head of securities at SWIFT, commented: "Lefferts will be a tremendous asset to our team, bringing a deep understanding of our customers and our community."

"I look forward to working closely with Lefferts as we define and execute our overall go-to-market strategy for the Americas region," he added.

Citi has promoted **Martin Visairas** to global head of capital introductions. Visairas joined Citi in December 2010. He has been involved in building the capital introductions (CI) presence across the investor community in the Asia-Pacific region.

He recently returned to London and will be continuing his responsibilities, ensuring global coordination and execution of the CI strategy.

In his new role, he will report to Alan Pace, global head of investor services sales globally and to James Harris, co-head of investor services sales in Europe, the Middle East and Africa.

GFT has recruited **Nick Nicholls** as principal consultant focusing on business architecture and process re-engineering. Nicholls has experience in investment banking and capital markets, working in prominent roles across front-, middle- and back-office functions.

He spent more than 30 years at Credit Suisse where he worked in liquidity management, collateral optimisation and business re-engineering roles. Specialising in business architecture and process re-engineering, he has extensive experience of creating processes that incorporate efficiencies within workflows that enhance profitability, while also assisting clients with their regulatory obligations.

In his new role, he will be heavily involved with business architecture for top-tier clients, including creating central funding models, and providing assistance in implementing processes to improve their capability in managing collateral and liquidity. **AST**

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