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African CSDs break down borders

Central Depository and Settlement Corporation (CDSC) Kenya, Central Securities Clearing System (CSCS) Nigeria and Altree Financial Group have partnered with the African Development Bank to deliver improved information technology and support services to central securities depositories operating across Africa.

The fund for Africa Private Sector Assistance (FAPA), hosted in the African Development Bank (AfDB), has made a seed investment in Africlear Global for enhancing the efficiency of capital markets by supporting the modernisation of CSD infrastructure across Africa.

Africlear Global was founded by CDSC Kenya, CSCS Nigeria and Altree Financial, with the goal of improving African securities market infrastructure.

Africlear, which held its board meeting in Nairobi on 24 April, said the immediate benefits include improved access to a wider securities services, greater collaboration between countries, and more cost-effective pricing of securities market infrastructure.

Rose Mambo, CEO of CDSC Kenya, has accepted the board's nomination and will serve as Africlear's first chairperson.

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First country-wide adoption of SWIFT KYC Registry

The Dominican Republic has become the first country to implement SWIFT's Know-Your-Customer (KYC) Registry as a financial community.

Almost all member banks in the Dominican Republic are now registered users of the KYC Registry, which helps institutions to exchange standardised compliance data in a simple, efficient and secure way.

Fabiola Herrera, director of payments and systems at the Central Bank of the Dominican Republic, said: "Adopting the SWIFT central KYC utility as a whole community means that banks in the Dominican Republic will raise their levels of compliance with applicable anti-money laundering standards."

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Collateral optimisation key to outsourcing decisions

Collateral optimisation should be taken into account when considering outsourcing, according to a report by Sapient Global Markets.

As various regulations start to take effect, buy-side firms are increasingly evaluating the benefits and costs of in-house solutions, over outsourcing.

The report suggested that collateral will soon be treated as a new asset class, and so, in addition to satisfying counterparty needs and regulatory requirements, firms will have to generate revenue through collateral trading, optimisation of assets and re-use of collateral.

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African CSDs breaks down borders

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She said: “Africlear members will be able to realise significant cost savings via collective bargaining with industry participants and technology vendors.”

Africlear’s board members also include CSCS Nigeria CEO Kyari Bukar, Altree Financial Group chairman Anthony Fischli, and an as yet to be determined representative from the AfDB.

Bukar believes Africlear will accelerate process standardisation and promote system integration across borders. “By employing industry best practices, Africlear will facilitate improved levels of transparency and corporate governance within the African capital markets.”

“This will enable local market practitioners to more effectively compete for domestic and international capital.”

“Africlear supports an open market place where scale and connectivity serve as the company’s competitive strengths,” added Fischli.

“The AfDB investment in Africlear Global supports the improvement of securities market infrastructure through promotion of industry-leading technologies designed to enhance the underlying efficiency and overall functioning of the African capital markets.”

First country-wide adoption of SWIFT KYC Registry

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Banks contribute a ‘baseline’ set of data and documentation, which is shared with other counterparties. Contributors retain ownership of information and control of which firms can view it, and are not charged for contribution or for using the registry.

Jairo Namur, regional manager for Latin America at SWIFT, said: “In a landscape where collaborative approaches are gaining momentum, SWIFT is pleased to help the Dominican Republic community work together to meet the increasing financial crime compliance requirements.”

“It also allows us to strengthen the mechanisms for preventing and mitigating risks associated with crimes of a financial nature in the Dominican Republic.”

Collateral optimisation key to outsourcing decisions

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In order to keep costs low, it will be important to optimise collateral allocation, and this can be achieved through trading and transfer, while also taking in to account haircuts, eligibility and alternatives.

This added complexity, however, could mean that managing collateral in-house is easier and more efficient, however, the added complication and overlapping nature of regulations increases the risk of rising costs, and so outsourcing can be used to ensure that costs remain predictable.

The report identified three key areas that firms should consider when deciding whether to use in-house or outsourced services: whether they have the qualified personnel in-house, or if they would have to invest in training and hiring; whether they can standardise daily operational tasks to minimise the risk of failures; and whether frequent changes in demand—from regulators or clients—could lead to more uncertainty.

It concluded that, while benefits from collateral optimisation and transfer can have a positive effect on cost structures, it could also decrease the costs of outsourcing.

Solutions will depend on the structure of a firm and the fee structure of third-party providers, but either way, according to Sapient Global Markets, collateral optimisation should be a significant factor in the decision-making process.

ETF assets out-pacing mutual funds, says Broadridge

Exchange traded fund (ETF) assets saw greater growth in retail investment channels than long-term mutual funds for the first time in 2015.

According to data from Broadridge’s Fund Distribution Intelligence tool, ETF assets sold through independent and wirehouse broker-dealers, registered investment advisors and discount brokerage firms grew by $267 billion, year-on-year. Mutual fund assets sold through the same channels increased $255 billion.

Total ETF assets grew 21 percent, or $379 billion, to reach $2.19 trillion, while mutual fund assets grew 9.5 percent, or $665 billion, year-on-year.

Registered investment advisors continued to be the leading distributors of ETFs, representing $472 billion in assets, followed by independent broker-dealers, which accounted for $400 billion, and wirehouse firms, which represented $385 billion in assets.

The increase in mutual fund assets was driven mainly by institutional channels. Banks, private banks and trust companies saw a growth in mutual fund assets of 17 percent, or about $410 billion.

Frank Polefrone, senior vice president of Broadridge company Access Data, said: “ETFs are gaining ground among retail distributors driven by a few key factors, namely their low cost structure, but also the fact that ETFs are used in asset allocation models, which are more prevalent among retail advisors.”

He added: “While mutual fund assets continued to grow in the retail channels, this growth was outpaced on an absolute basis by ETFs—the first time this has happened since we started tracking this data more than four years ago.”

Other findings included a 12 percent year-on-year growth in long-term mutual fund and ETF assets under management from third-party distribution channels, which rose to $9.8 trillion.

ETF assets distributed in institutional channels increased $112 billion, showing less than half the growth in those distributed in retail channels.

Mutual fund assets under management in banks showed the highest year-on-year increase, rising 23 percent, or $147 billion.

Gerard Scavelli, president of Broadridge’s mutual funds and retirement solutions group, said: “Our data not only provides insight into emerging distribution channels that present growth opportunities, but also gives fund firms visibility into their own market share.”

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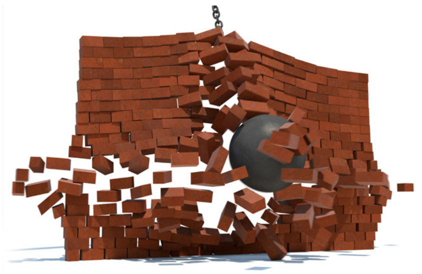

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He added: “This intelligence allows firms to improve strategic decisions regarding distribution, product development, and sales and marketing to allocate resources effectively, and accelerate growth.”

AIFs at risk from asset segregation

Asset segregation as proposed under the Alternative Investment Fund Managers Directive (AIFMD) will compromise triparty collateral management and securities lending, according to Ross Whitehill, managing director of BNY Mellon’s markets group.

A recent European Securities and Markets Authority (ESMA) consultation paper proposed the enforced segregation of alternative investment fund assets across all levels of the custody chain. This could affect the ability of funds to utilise triparty collateral management services, and to participate effectively in securities lending.

The change also has the potential to affect UCITS funds, depending on regulatory harmonisation with AIFMD.

Whitehill said: “The impact on funding and liquidity in the market will, we believe, be very significant affecting growth and investment in Europe.”

The proposed asset segregation rules are intended to protect the interests of investors by preventing assets from being exposed to negative events, such as bankruptcy of a third party.

Whitehill argues, however, that taking this too far by segregating assets down to sub-custodian level could in fact increase, rather than mitigate, counterparty, operational and systemic risk.

“The proposed segregation approach actually increases investor risk along the post trade chain,” he said.

“It also increases systemic risk. This is due to the substantial increase in accounts, a corresponding increase in movements of securities, and in particular the inability of alternative investment funds to function in a triparty environment.”

“There will also be increased settlement and operations risk because market deliveries will be necessary, rather than intraday book entry books and records management.”

He also suggested that there would be an impact on pension funds, insurance companies and other non-alternative investment fund counterparties, as there will be no third-party collateral managers available to support related transactions such as repo and securities lending.

Whitehill said: “Collateral management is a highly specialist function and—given the demand for, and likely scarcity of eligible collateral—it is highly unlikely that funds will be in a position to effectively support their collateral management requirements themselves.”

“The removal of triparty collateral management will place an inordinate burden on the funds themselves and their counterparties, forcing them into bilateral collateral management.”

Bumper April for Clearstream

In April 2015, the overall value of assets under custody held on behalf of Clearstream customers increased by 10 percent to €13.3 trillion, compared to €12.1 trillion in April 2014.

Securities held under custody in Clearstream’s international central securities depository (ICSD) rose by 11 percent from €6.4 trillion in April 2014 to €7.1 trillion in April 2015.

Those securities held under custody in the German CSD increased 10 percent from €5.7 trillion in April 2014 to €6.3 trillion in April 2015.

Year-to-date, the combined value of assets under custody in the domestic CSD and global ICSD business increased 10 percent compared to the same period in 2014.

Also in April 2015, 3.8 million ICSD settlement transactions were processed, a 6 percent increase over the April 2014 total of 3.6 million.

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Of all international transactions, 82 percent were over-the-counter transactions and 18 percent were registered as stock exchange transactions.

On the German domestic market, CSD settlement transactions in April 2015 reached 7.7 million, 18 percent more than in April 2014. Of these, 64 percent were stock exchange transactions and 36 percent were over-the-counter transactions.

For the period year-to-date April 2015, the number of settlement transactions processed for the German domestic CSD and global ICSD business combined increased by 13 percent compared to the same period in 2014.

$8 billion RQFII quota for Luxembourg

Luxembourg has been granted an $8 billion renminbi qualified foreign institutional investor (RQFII) quota by the People's Bank of China, meaning that Luxembourg investors can now invest directly in the Chinese capital market.

The RQFII scheme allows offshore RMB to be reinvested in the China securities market, and could be beneficial to those fund managers using Luxembourg as a platform for cross-border distribution.

International and Chinese fund promoters have already set up RQFII funds through Luxembourg-domiciled vehicles, using other jurisdictions' quotas. This development means that Luxembourg's European and global investor base have the opportunity to use the scheme directly, up to a limit of $8 billion.

Luxembourg already has the highest number of RMB deposits in Europe, with $9.9 billion. It also holds the largest value of loans and investment funds, with $9.8 billion and $47.7 billion, respectively.

The quota comes after the Industrial and Commercial Bank of China in Luxembourg was designated an RMB clearing bank in December last year.

Pierre Gramegna, Luxembourg's finance minister, said: "The granting of the RQFII quota again demonstrates China's recognition of the Luxembourg financial centre as one of Europe's main hubs for international renminbi business."

Deutsche Bank is depository for Transpacific ADR

Deutsche Bank has been appointed to act as depository bank for the American depository receipt (ADR) programme of Transpacific Industries Group Limited.

The sponsored level one ADR is a non-capital raising programme for Australian waste management service provider and ASX top 100 listed company, Transpacific.

Transpacific services clients from more than 200 sites and depots, and has more than 45 resource recovery, recycling and baling facilities across Australia, as well as 50 technical treatment and processing plants.

Deutsche Bank's depository receipts team is part of the issuer services business within that bank's institutional cash and securities services unit.

Naomi Flutter, head of global transaction banking for Deutsche Bank in Australia and New Zealand, said: "We are delighted to welcome Transpacific as a valued client of Deutsche Bank's depository receipts business. Our broad range of customised services will be used to assist Transpacific in enhancing the visibility of its ADR programme within the investor community."

Mixed results for SS&C

The gross return of SS&C GlobeOp's Hedge Fund Performance Index for April 2015 measured 0.34 percent, down from 1.30 percent in the previous month.

On a more positive note, hedge fund flows as measured by the SS&C GlobeOp Capital Movement Index advanced 0.92 percent in May, up from a 1.14 percent decline in April.

"May 2015 saw the largest increase in the Capital Movement Index in the past 12 months, as inflows easily outpaced outflows. In fact, outflows were the lowest recorded since the index's inception in 2006," said Bill Stone, chairman and CEO of SS&C Technologies.

The Capital Movement Index represents the monthly net of hedge fund subscriptions and redemptions administered by SS&C GlobeOp.

This monthly net is divided by the total assets under administration for fund administration clients on the SS&C GlobeOp platform.

The Capital Movement Index has declined 2.24 points over the past 12 months, with the next publication date set at 11 June 2015.

SS&C GlobeOp's data represents approximately 10 percent of the hedge fund industry.

BNY Mellon launches new ETF negotiation tool

BNY Mellon has introduced a new automated process to aid authorised participants in the creation and redemption of exchange-traded funds (ETFs).

The new process allows these participants to use BNY Mellon's ETF centre to conduct propositions and negotiations on underlying data for ETF baskets with a fund sponsor. It is designed for large financial institutions that are chosen by such a sponsor to obtain the necessary assets for creating or redeeming an ETF.

The new system is designed to offer a more flexible and more efficient environment for negotiating ETF baskets.

Steve Cook, global head of ETF services at BNY Mellon, said: "Helping authorised participants become more efficient ultimately benefits the other participants in the ETF marketplace, ranging from issuers to those in the secondary trading market."

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Mixed April results for Eurex Group

Eurex Group has reported a dip in average daily volume in April 2015, while equity index derivatives saw a slight increase, year-on-year.

The international derivatives exchanges saw an average daily volume of 8.3 million contracts in April 2015, a slight decrease from April 2014's average of 8.7 million.

An average of about 5.9 million contracts were on the Eurex Exchange, down from 6.1 million in 2014, and 2.4 million were traded on the US-based International Securities Exchange (ISE), down from 2.6 million last year.

In total, about 118 million contracts were traded on Eurex Exchange in April 2015, and 50 million were traded on the ISE. In its largest segment, equity index derivatives, the exchange traded 52 million contracts, an increase from 47.6 million in April 2014.

Eurex Exchange's interest rate derivatives segment saw a slight decrease, year-on-year, dipping from 33 million contracts in April 2014 to 31.6 in April 2015. The equity derivatives segment also saw a drop, from 39.9 million in April last year, to 32.5 million. Of these, 14.7 million contracts were equity options and 17.8 million were single-stock futures.

Eurex Repo, which operates Euro Repo and GC Pooling markets, recorded an average outstanding volume of €193.3 billion, combined. This is an increase from last April's total of €191.7 billion.

The secured money market GC Pooling increased from a €148.7 billion average outstanding in April 2014 to €158.3 billion in April 2015. The Euro Repo market, however, dropped from €43 billion in April last year to €35 billion in April 2015. This was attributed to a change in policy at the European Central Bank.

BVL goes live with MillenniumIT

Bolsa de Valores de Lima (BVL) has gone live with a MillenniumIT trading technology solution.

BVL exchange replaced its trading technology infrastructure with the multi-asset trading platform Millennium Exchange and Smart Order Router for equities and fixed income trading and connectivity throughout the Mercado Integrado Latino Americano (MILA) region.

The MillenniumIT solution has been adapted to meet the connectivity and language requirements of the market in Peru as well as the extended MILA region of Mexico, Chile and Colombia. It includes a fully integrated trader workstation in Spanish.

Mack Gill, CEO of MillenniumIT, said: "By tailoring our solution to the local requirements of BVL, we have been able to support their entire trading operation and ensure it is fully equipped to meet the future challenges of international growth."

Fundtech to provide services for non-profit organisation

Fundtech has been chosen to provide its remote deposit solution for the Santa Cruz Country branch of not-for-profit organisation United Way.

The global organisation strives to provide education, income and health services to the local community. Fundtech will help to streamline back-office operations, thereby helping to save money in costs.

It will improve the process of preparing deposits and automate check processing, making the process faster, less labour intensive, and more cost effective.

Karen Sullivan, CFO of United Way of Santa Cruz County, said: "By investing in remote deposit, we saved considerably on back-office expenses that we have been able to redirect to our community programmes."

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Chapman's Eye on the market

And relax

For now, at least. Yes, while the forces of common sense have prevailed and the UK is now being governed by a Conservative majority government for the first time in 18 years, we're certainly not out of the woods yet. Over the next five years, the government will have to face and overcome two significant threats to the stability and business health of the country, which will also have an impact on our industry: the first being the rise in Scottish nationalism as reflected in the landslide victory of the Scottish National Party in Scotland, and the second, and arguably the most important, an in/out EU referendum.

The former issue has been covered ad nauseum in this column, and my suggestion is that we park any further discussion until the post-election dust has settled and each party's intentions and strategies become clearer. No, the big issue, and one that will dominate the airwaves and will have huge implications on our industry, is whether the electorate chooses to stay as part of the EU or vote to strike out by ourselves, in one form or another.

As ever, the waters are muddied with no clear understanding of what a post-EU landscape following Britain's withdrawal or 'Brexit' might actually look like and equally, there is no agreement on the what our current membership actually means in practice. Some folks believe that our withdrawal would lead to massive disinvestment in the UK, and from a financial services perspective add to the credence to the claim of locations such as New York and Singapore that they are the pre-eminent global financial centres.

Others believe that the City of London's infrastructure, historic success, depth of talent—with no finer example of Porter's Cluster Theory being evident—and the UK's benign labour laws would still make it a superlative place to do business with compelling reasons for it to remain a, or indeed the, pivotal global trading hub.

At the risk of sounding like a 'Little Englander', I'd offer that one of the reasons for the UK's reluctance to be governed by a foreign entity, especially one whose members are unelected and whose accounts have not been signed off for the past 16 years, is the fact that for the last thousand years or so we have not been invaded, and as such, have had virtually total control over our own destiny.

The ever-increasing range and impact of powers encroaching on our daily work and home lives, from the Human Rights Act to limiting the size of bankers' bonuses, have become a cause for concern as to what the endgame is and has served to crystalise opinion as to what is best for the country.

It begs the question of what the EU is at its heart: a post-World War II trading partner construct as it was initially envisaged, or a much larger and intrusive social experiment that will have wide-ranging impact on every aspect of our lives. I for one cannot remember ever voting for that.

Paul Chapman, managing director, HornbyChapman Ltd

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EBAday congress attendees talked trust, technology and the future of transactions

STEPHANIE PALMER REPORTS

Trust in banks is still suffering, but by changing aspects of the way the industry works, client confidence will return. This was one of the recurring themes of the EBAday annual congress in Amsterdam.

Keynote speaker and global head of transaction services at ING Mark Buitenhek reminded attendees that while they may put a great deal of work in to ensuring smooth payments processing, customers will rarely consider them.

He said: “We know that the things we do touch the lives of our customers every day, but we must recognise that our customers are not thinking about us.”

He also pointed out that although the industry is recovering from the financial crisis, customers still have a deep mistrust of bankers, considering them to be greedy and even arrogant.

However, 56 percent of respondents to a recent ING survey said that they already use, or plan to use, their smartphones for mobile banking. Of those asked, 84 percent said they trusted their bank’s mobile banking app, while only 5 percent were inclined to trust ‘social’ payment apps.

The survey also showed that when it comes to shopping online using mobile devices, a fast and easy payment system could increase turnover by up to 20 percent, highlighting the importance of fast and simple transactions.

“We need to open up our business models to faster innovation,” said Buitenhak, “but at the same time we must be sure that payments and accounts stay safe.”

He suggested that in the wake of the financial crisis industry players have lost sight of what the customer wants and expects, and so the payments sector is “no longer the bank’s monopoly”.

There is a risk that unless banks start to address this, new entrants to the market could secure the business of disgruntled customers.

According to Buitenhak, the industry must start to reinvent itself, and it should begin with embracing innovation and infusing new talent.

“Yes, we are being disrupted. Yes, we are being attacked. Yes, we find it unfair that some of the regulators are pushing all kinds of regulation on us. But we have a fantastic opportunity here—84 percent of people still trust bank accounts,” he said.

“We have to change our attitudes, we have to change our way of working, but as long as we keep the customer focus in our minds, I am sure that jointly, we will be able to succeed as the banking industry, and make it to the next level.”

Challenge speaker Chris Larsen, CEO of faster payments and settlement system Ripple, agreed that financial institutions should remain at the heart of the payments sector, but only after a technological revolution.

Larsen pointed out that the first payments networks were built to serve small geographical areas such as towns or cities. As these networks grew, central clearinghouses emerged, followed by facilities to serve a large number of banks in broader regions.

He said: “Each of these eras was marked with a breakthrough.”

However, the modern payments infrastructure has not extended beyond using a single currency, and there is still a lack of traceability on payments. Larsen added: “It’s out of step with customer needs.”

According to Larsen, the market should be looking for increased speed, greater interoperability and lower costs and risks, and regulators are actually being proactive in pushing this.

“We are on the cusp of another major era in payments, which we think will be cross-border and cross-currency payments,” he said.

“Everyone is clamouring to seize that.”

Payments will have to have a greater geographical reach, and transfer as quickly as an email, but the system should be “built on the existing bank infrastructure”.

It would be additional and complimentary to existing bank services, and support payments of any size.

Larsen called this the ‘internet of value’, as opposed to the existing ‘internet of knowledge’, and predicted an uptick in usage similar to the one seen in the ‘traditional’ internet when it became available to the global market.

In order to function, this ‘internet of value’ requires finance, regulation, and technology, and according to Larsen, it is the banks that are best placed to manage this effectively.

“They are the best at operating collateral and compliance,” he said, adding: “We are in a new era of payments—the world is interoperating.”

On a panel discussion, speakers focused on the balance between regulatory compliance in the payments sector and the drive towards customer-focused innovation.

Marion King, a panellist and group director of payments at RBS, said that traditional and innovative ways of approaching transaction banking “can coexist and drive each other”.

King pointed out that banks cannot yet remove slow payment processes such as payments by cheque, but by engaging with new processes as well, they could find ways to streamline and improve them.

Equally, new technologies and processes must focus around what exactly the end customers want—the client must have control.

King placed importance on addressing the need of the customer, rather than the specific payment problem, and on talking to the customer about their business model.

Sometimes the answer is to combine simple and old-fashioned solutions with complex ones. She said: “It could be something basic right in front of you.”

Another panellist, Marcus Treacher, global head of innovation in payments and cash management at HSBC, added that, as well as listening to what customers want, banks should also anticipate their needs. “It’s about looking at what is possible,” he said.

He suggested that banks should combine the solutions that they know clients want with those that “they don’t know exist yet”, and that in the ‘fail-and-fail-fast’ environment, they can bring a lot of ideas to the market quickly.

“The beauty of where we are now is the technology that we have,” he said. “We can prototype.”

Addressing the idea that the drive for innovation is shifting, Karin Kersten, head of transaction banking at ABN AMRO, said: “It is not a shift from regulation to client centricity—they will both be there.”

She argued that when new regulations come in to effect, banks should approach them from a legal and compliance perspective, but should give equal importance to how to make them work as business opportunities.

King suggested that institutions should be “involving the regulator,” and that instead of a relationship where the regulator acts as a disciplinary ‘parent’ figure, the industry should be moving towards collaboration.

According to King, a “partnership approach” would also improve credibility and offer assurance to customers.

When looking to innovate, Treacher stated that, rather than reinventing the whole system, firms should concentrate on the small changes that can make a big difference. “Innovation is in the eye of the beholder,” he said.

Kersten added that firms should “look at what you don’t see.” Using the analogy of a lightbulb without electricity, she suggested that the next big inventions could already exist, but need the correct tools in order to shine. AST

Surf’s up

The first wave of T2S is heading straight for us, and when it breaks on 22 June, SIX Securities Services will be riding it in style. Avi Ghosh explains why

STEPHANIE PALMER REPORTS

What are the advantages of early adoption?

For us, it is simple. Being part of the first wave allows us to adopt a new approach now, before the rest of the market, and to work with the systems that will define the landscape in the Europe of tomorrow. We will be testing these systems first and ironing out any of the problems with the European Central Bank (ECB) systems, which will also mean that we will use them for longer than the second- and third-wave central securities depositories (CSD), and we will understand them more intimately. This means we can pass on better value and better solutions to our customers, and build better on business opportunities.

What we are building here is knowledge, insight and experience of something that no one has used before, and I would expect that those who don’t come in to it now could be at a disadvantage. It is possible that others could learn from our experiences in the future, but that just means that we are defining how people should perform in the market.

What will the benefits be for the clients?

What Target2-Securities (T2S) and a number of other regulations are creating is a more level playing field. Where we used to have national settlement and vertical siloes, that part of the business is being treated more like a commodity and centralised to be run out of one unit. This means that a number of firms that currently specialise in settlement will have to look elsewhere to add value.

A lot of banks are moving in as well, broadening their offerings from the client-facing industry to the operational asset servicing space. There will be healthy competition in those spaces for those that are able to compete.

There are also opportunities for partnerships that could allow clients to take their pick of players. Where in the past they could only choose a national CSD, they will now be able to look at one that works across borders. It's the market consolidation dynamic. The customer will end up with greater choice in a more competitive marketplace, which means, ultimately, better services at better prices.

The first wave of T2S is just around the corner, scheduled for 22 June. Are you ready?

For the last few months, we have been conducting mandatory community testing, where our clients get access to the solution and can test the ECB's platform.

So far, we have had no issues with our system that would stop us from moving on. The ECB has had some issues that it has made clear, and it is working to fix those. As for the decision to go ahead or not, this is a massive infrastructure project that the ECB is working on, so their decision will have to incorporate the pan-European risk-management and exposure point of view. We don't have the same considerations; the ECB is the central bank that is responsible for Europe's infrastructural stability, so they have to take a wider perspective.

Theoretically, we have no reason to believe that our clients will not be happy with the outcome. We've got some extraordinarily talented people working for us on this project, and they are doing a great job.

Do you have any additional services that you will implement off the back of T2S?

One thing that we're looking at is the collateral management and liquidity space. We operate cross-border and have been doing so for 20 years, and a common challenge for asset managers is that liquidity pools are fragmented and assets spread across several countries. When you start moving it from one place to another, the majority of CSDs will take the assets and supply a local pool of liquidity. This is fine on a small scale, but once you move towards large-scale assets and liquidity pools, the concentration risks become enormous.

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We believe clients would be more open to the idea of keeping the assets where they are but using the crediting and debiting capabilities to move liquidity virtually, so we are working towards that. It will be a big change in the post-trade environment.

We have a number of other projects in the pipeline, which we will probably roll out over the course of the next two years.

What kinds of challenges could T2S bring for global custodians and CSDs?

Again, it's levelling the playing field. A number of large custodian banks have set up a CSD themselves, for example. It's flattening the landscape and blurring the lines of who does what, and who has the capabilities, now, to enter new spaces.

If a customer looks at the value chain, it's a great opportunity. Buy-side firms are always looking for greater value-added services, they're looking at larger competitive CSDs and they can put a lot more in to those higher-value activities such as performance analytics and hedge fund management. They can offload low-value business to organisations such as ours. We will see a lot more partnerships, outsourcing and sharing of responsibilities.

The larger banks especially should focus on defending their existing revenues or growing their cross-border revenues, because essentially, now, anyone can come in and play.

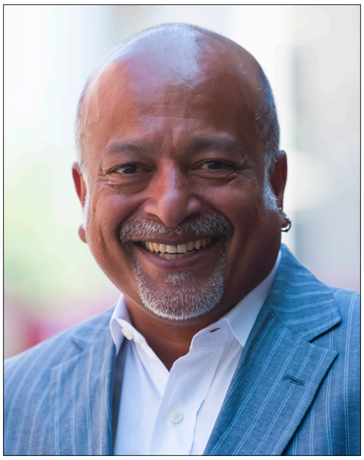
What should businesses be doing to fully realise the potential of the change?

Businesses need to look more holistically at the potential benefits of T2S, and start to engage with organisations that know what is going on with regards to implementation. I would argue that even if clients are still taking a back seat and thinking that they will engage with the second or third wave, they should start to look at it now. If they wait for two years, then by the time they can crystallise their strategy or develop real solutions and services, too many changes will have already taken place.

We will definitely see firms getting left behind. National CSDs could end up doing domestic registration of shares, and some will start offloading or outsourcing activities to neighbouring countries.

The ones that survive will be the ones that approach it with a real plan, that are ready to make partnerships and that can start adding value from the day they go live on T2S, creating new services and new solutions.

Firms must not deny that change is taking place on a very profound level in Europe, and to fail to take advantage of the opportunities this change presents would be a mistake. AST



Avi Ghosh
Head of marketing and communications
SIX Securities Services

Industry Events

The 2nd Annual Practitioners' Forum on Valuation & Pricing for Buy-Side Firms

Date: 23-24 June 2015
Location: London

This conference focuses in on the governance and risk management challenges being faced by buy-side firms as they seek to meet regulatory expectations for valuation under AIFMD, OTC and EMIR.

FundForum International 2015

Date: 29 June-2 July 2015
Location: Monaco

FundForum International will be welcoming over 225 Fund Buyers and Distributors in 2015, over 80 of whom will share their experience and knowledge as speakers.

Industry appointments

BNP Paribas Securities Services has appointed **Robert Van Kerhoff**, **Ronald Koelewijn** and **Erwin Reyes** in the Netherlands.

Kerkhoff will serve as head of the Netherlands and will relocate to Amsterdam.

He was previously deputy head of operations for asset and fund services, based in Paris.

Koelewijn has been appointed as head of sales for the Netherlands and will be responsible for business development across all client segments in the country.

He was previously global client development manager for banks and brokers for the Netherlands and the Nordics.

Reyes will take the position of appointed secretary general in the Netherlands, responsible internal organisation and projects.

Gerald Noltsch, head of Germany and Northern Europe at BNP Paribas Securities Services, commented: "Kerkhoff has played an important role in the development of our global offering in our asset and fund services product line and I am delighted to see him take the lead of our Netherlands office."

"Koelewijn and Reyes have an in-depth understanding of our clients' needs in the Netherlands and the local regulatory environment," he said

RBC Investor & Treasury Services has appointed **Francis Jackson** as global head of client coverage for asset managers, pensions and sovereign wealth.

Jackson will be based in London and will be responsible for maintaining, growing and developing RBC Investor & Treasury Services client relationships.

He will report to Harry Samuel, CEO of RBC Investor & Treasury Services.

Previously, he served at J.P. Morgan where he held several leadership roles, including, most recently, head of investor services sales and relationship management.

David Linds is to retire as senior vice president of business development and relationship management at CIBC Mellon, as of 1 July.

The bank also revealed that Rob Ferguson has been appointed senior vice president of capital markets, business development and relationship management and that Richard Anton has been appointed senior vice president and COO, with both appointments also effective 1 July.

Linds has been with CIBC Mellon since its inception in 1996, and has led the bank's sales and relationship management functions for more than a decade.

Tom Monahan, president and CEO of CIBC Mellon, said: "A leader throughout CIBC Mellon's history, Linds helped grow the company to more than $1.5 trillion of client assets under administration from $100 billion."

"[His] leadership, insights and relationship skills have been invaluable throughout the company's journey, and his passion for the business and for our clients is a point of great admiration across the firm."

Ferguson will take on overall responsibility for building and strengthening CIBC Mellon's relationships with clients across the asset servicing spectrum.

He has 25 years of industry experience, having also joined CIBC Mellon in 1996.

His prior roles at CIBC Mellon include vice president of product and client service, co-head of global securities lending and, most recently, senior vice president of capital markets and product delivery.

Anton will continue to lead CIBC Mellon's client service delivery teams, while also taking on responsibility for the company's corporate project office, product management and centralised client administration functions.

He joined CIBC Mellon in 2014 as vice president of operations.

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