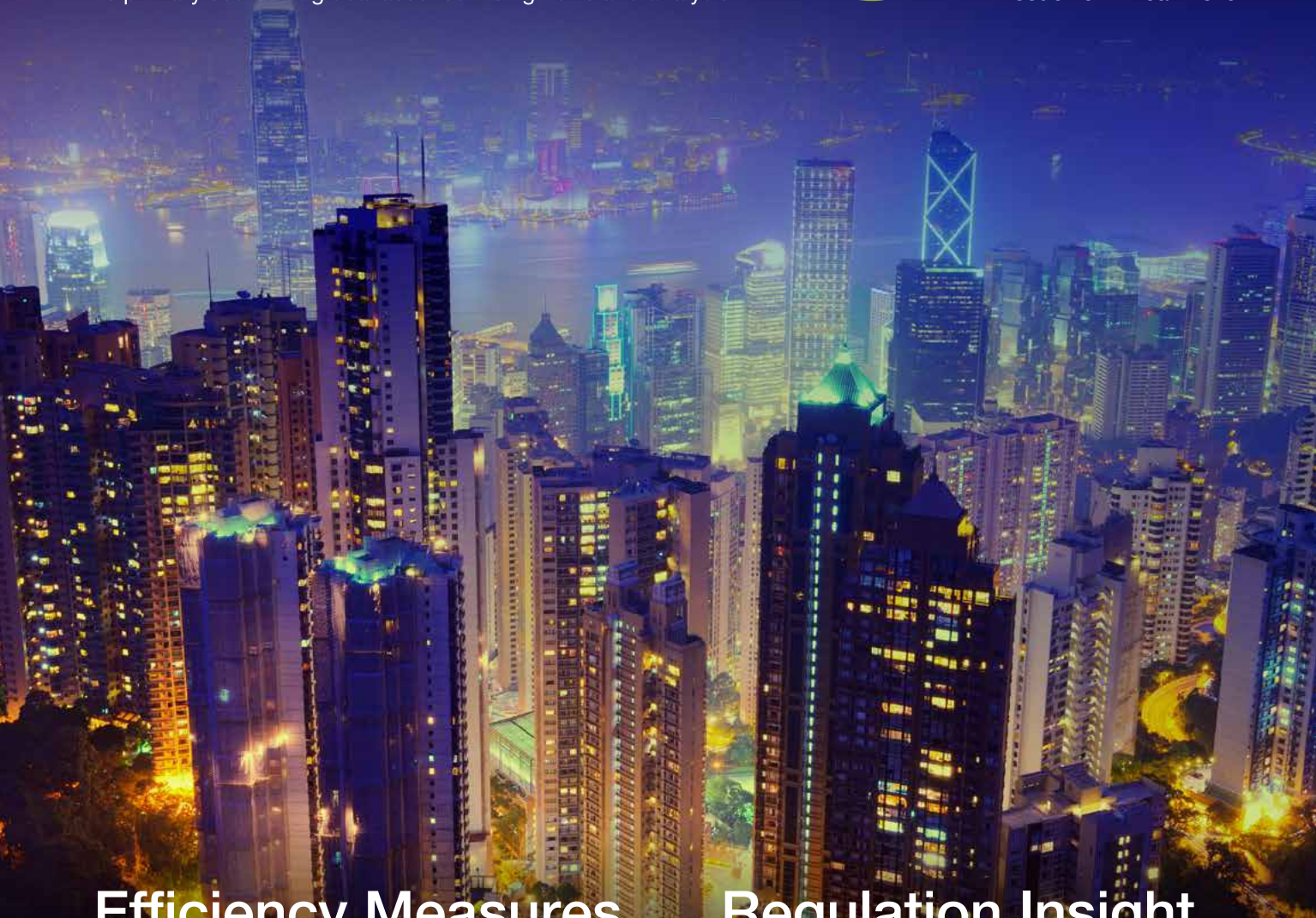


asset servicing times

The primary source of global asset servicing news and analysis

Issue 182 24 Jan 2018



Efficiency Measures

Tadawul implements new measures

Regulation Insight

Fabrice Bouland on MiFID II

Connecting Hong Kong

Julien Kasparian provides an overview of Hong Kong's financial services industry

At your side worldwide.

www.commerzbank.com/worldwide

The Euromoney Awards for Excellence honoured Commerzbank as Germany's Best Bank for its strategic approach that is creating a 'stable, efficient and more profitable lender' amidst challenging times for the German banking sector. Euromoney, 07/2017 issue



COMMERZBANK

The bank at your side



Combining the elements for highly responsive solutions



At SmartStream we believe that starting with a solid foundation of elements is vital when creating new operating models. As a result, it's never been easier for firms to access highly responsive, tailored solutions which can be deployed at speed and with immediate impact.

Our innovative technology delivers an unparalleled range of reconciliation and exception management options to monitor and manage all transaction types; lowering cost, reducing risk and creating more agile operations.

So, whether you are looking to replace legacy systems, build an internal processing utility, utilise the cloud or outsource your entire operation, partnering with SmartStream is the perfect chemistry.



SWIFT and CSDs join forces on proxy voting DLT

SWIFT and seven central securities depositories (CSDs) have partnered to explore how distributed ledger technology (DLT) could be implemented in proxy voting and for digital assets.

The group will also look at how DLT can be used in corporate actions processing, as well as how existing standards, such as ISO 20022, can support it. According to SWIFT, securities processing involves “extremely cumbersome manual processes that can carry significant inherent cost and risk”.

The group aims to create common standards and principles for the use of DLT among CSDs and promote these common standards and principles to other industry members, including regulators.

Abu Dhabi Securities Exchange, Caja de Valores, Depósito Central de Valores, Nasdaq Market Technology, National Settlement Depository, SIX Securities Services and Strate are among the CSDs participating in the DLT project with SWIFT. The initiative has received endorsement from the International Securities Services Association.

According to SWIFT, additional CSDs are expected to join in the coming weeks.

Stephen Lindsay (pictured above), head of standards at SWIFT, explained: “The promise of the technology on paper is great, but it is currently missing a key component around standardisation.”

“There is clear value in re-using established business definitions and facilitating interoperability amongst DLT implementations, which this project will demonstrate.”

asset servicing times

W: www.assetservicingtimes.com
T: @ASTimes_

Acting Editor: Becky Butcher
beckybutcher@blackknightmedialtd.com
+44 (0)203 750 6018

Senior Reporter: Drew Nicol
drewnicol@securitieslendingtimes.com
+44 (0)203 750 6022

Junior Reporter: Jenna Lomax
jennalomax@blackknightmedialtd.com

Designer: James Hickman
jameshickman@blackknightmedialtd.com
+44 (0)203 750 6021

Publisher: Justin Lawson
justinlawson@blackknightmedialtd.com
+44 (0)203 750 6028

Associate Publisher: Joe Farrell
joefarrell@assetservicingtimes.com
+44 (0)203 750 6024

Marketing and Sales Support: Paige Tapson
paigetapson@blackknightmedialtd.com
+44 (0)203 750 6020

Office Manager: Chelsea Bowles
accounts@blackknightmedialtd.com

Published by Black Knight Media Ltd
Copyright © 2018 All rights reserved



News Round-Up

The Bank of Lithuania has selected SIA to access RT1, the pan-European instant payments infrastructure

p6



News Round-Up

Torstone Technology has entered the Norwegian market

p8



News Round-Up

The Saudi Stock Exchange Tadawul has implemented new measures to raise market efficiency and boost investor access

p10



Regulation Insight

Fabrice Bouland, CEO of Alphametry, explains how the financial services industry has dealt with MiFID II

p16



Country Profile

Julien Kasparian, head of Hong Kong at BNP Paribas, explains the financial services industry in Hong Kong

p18



Industry Appointments

Movers and shakers at Standard Chartered Bank, LAS and more

p22

transform | business

A range of apps that will transform your securities finance business

2016 and 2017
Best Software Provider



tradingapps



www.tradingapps.com

CEE starts in Vienna

One entry to 18 markets



Your Gateway to Securities Services in:

Almaty / Belgrade / Bratislava / Bucharest / Budapest / Kiev / Ljubljana /
Minsk / Moscow / Podgorica / Prague / Sarajevo / Skopje / Sofia / Tirana
Vienna / Warsaw / Zagreb

Confluence sets 2018 predictions

“Asset management professionals will continue to feel anxious and uncertain through 2018,” according to Confluence.

However, the data management provider predicted an “eventual positive systemic change” if the industry can meet new back-office demands.

Confluence suggested that these concerns will most likely come from three main areas, including regtech, regulatory anxiety, and new rules initiated by the US Securities and Exchange Commission (SEC).

The arrival of SEC data-intensive focus will spur industry adoption of data analytics in fund compliance and governance, Confluence said. In addition, SEC’s Rule 30e-3 on electronic delivery of shareholder reports would also increase this anxiety.

Confluence claimed that Rule 30e3 and the use of derivatives by registered investment companies “will almost certainly remain unresolved” through 2018.

The SEC’s modernisation will, according to Confluence, eventually see asset managers enhance their compliance and governance practices, which will see data analytics applied internally across back-office operations.

The data management provider predicted that regtech will make way for a ‘datatech’ movement across the back-office operations in the coming year.

Confluence predicts that by designing and optimising opportunities around shared data, the back-office process will improve through eliminating process proliferation and redundant data processing.

Todd Moyer, Confluence COO, said: “We expect significant, measurable transformation across the asset management industry in 2018. While the implementation of SEC modernisation is the most obvious driver of that change, we believe that back-office professionals will



Central Bank of Lithuania selects SIA to access RT1

The Bank of Lithuania has selected SIA to access RT1, the pan-European instant payments infrastructure, which came into effect as of 21 November last year.

Through the central bank’s connection, Lithuanian banks will be able to access the RT1 infrastructure allowing the country system to execute instant payments up to €15,000 in under 10 seconds.

SIA’s network infrastructure has been designed to meet specific requirements of instant payments, as well as being compliant with the Scottish Environment Protection Agency’s instant credit transfer scheme, created by the European Payments Council.

Marius Jurgilas, member of the board of the Bank of Lithuania, said: “Promotion and implementation of payment innovations that bring benefits to both consumers and businesses is one of the strategic directions of the Bank of Lithuania.”

Andrea Galeazzi, network services director of SIA, added: “We are particularly proud to have reached this significant agreement with Bank of Lithuania allowing the country system to take part from the beginning in the instant payments revolution.”

“It’s another remarkable success at an international level that highlights SIA’s technological capabilities leveraging its innovative network solution.”

Our asset services are first rate and second to none. Perfect for third party funds.

Asset Management
Wealth Management
Asset Services



Geneva Lausanne Zurich Basel Luxembourg London
Amsterdam Brussels Paris Frankfurt Munich Madrid
Barcelona Turin Milan Verona Rome Tel Aviv Dubai
Nassau Montreal Hong Kong Singapore Taipei Osaka Tokyo
assetservices.pictet

see this as a rare opportunity to transform their operations in a way that goes beyond compliance to harness data in new and powerful ways for their businesses and their clients.”

Murex's MX.3 goes live at Nationwide

Murex's MX.3 front-to-back risk platform has gone live for Nationwide Building Society's treasury business.

As part of the launch at Nationwide, Sapient Global Markets was selected to perform an assurance assessment, as well as the implementation of the new treasury solution.

Nationwide will replace its old legacy system with the new treasury solution to secure wider funding sources, review pricing rules and implement tighter risk, liquidity and collateral controls.

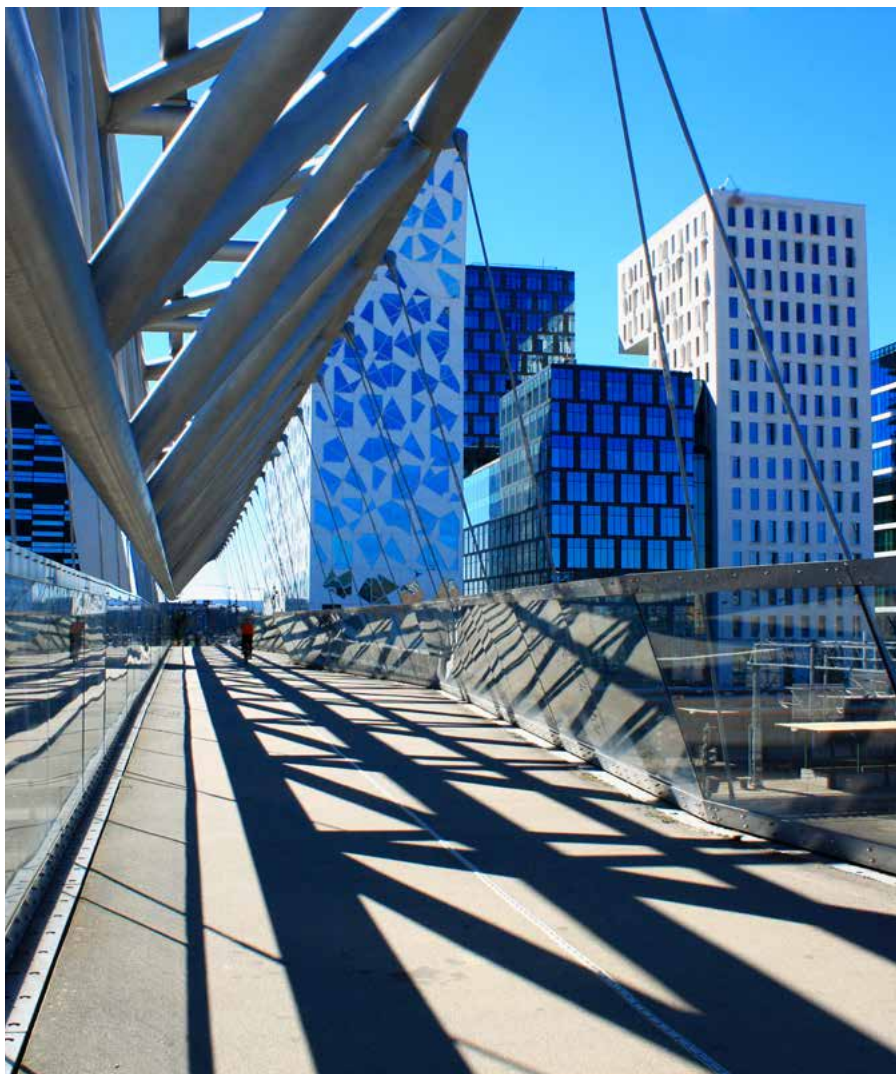
MX.3 passed initiation tests by delivering increased straight-through processing for flow products, issuance process, micro and macro hedge accounting and limits management.

Andy Townsend, group treasurer at Nationwide, commented: “With the new treasury platform we can significantly increase working efficiency through delivering a high level of automation along the entire value chain.”

“The success is a result of the hard work, commitment and dedication of the Nationwide, Sapient and Murex teams to deliver a platform that will be critical to our business.”

Philippe Helou, co-founder and managing partner at Murex, explained: “Thanks to the depth and breadth of MX.3, our platform is a key enabler of the organisation's treasury transformation.”

“Nationwide will now be able to reduce the amount of internal reconciliations while improving accuracy and operational efficiency.”



Torstone Technology enters Norwegian market

Torstone Technology has entered the Norwegian market by connecting its Inferno platform to Verdipapirsentralen ASA (VPS), Norway's central securities depository.

Inferno is a post-trade platform, which will enable connectivity to VPS for firms trading VPS-registered securities, such as shares listed on the Oslo Stock Exchange (Oslo Børs) as well as bonds and commercial paper issued in Norway.

VPS said: “We were pleased with the results of the initial testing phase of the implementation and are looking forward to continuing working with Torstone as the project evolves.”

Jonny Speers, global head of sales, Torstone Technology, added: “We are delighted with the positive feedback we received from VPS following the initial connectivity testing phase.”

“The cooperation was our first project in Norway and serves as another great example of Torstone's ability to quickly enter a new market to provide a fully featured, value-add solution, therefore emphasising the flexible nature of Inferno.”

“We are excited about the opportunities in the Norwegian market as we look to strengthen our presence there.”

Global Software Solutions for the Asset Management and Fund Servicing Industry

Riva - the future of TA

The success of global asset administration relies upon forward thinking, cost effective, technology solutions to efficiently support the markets of today and the opportunities of the future.

Riva offers

- Modern integrated software
- Multiple products and markets on one system
- Global support and compliance
- FinTech research and development
- Cloud deployment
- Professional services



For further information or to request a demonstration:



+44 1624 850140



learnmore@rivafs.com



rivafs.com

He added: "These tangible benefits have been successfully delivered thanks to the strong partnership between Murex, Nationwide and Sapient, and we are committed to maintaining this spirit of close collaboration in the future."

Aquis launches SI hub for MiFID II

Aquis Technologies has created a connectivity hub to allow systematic internalisers (SIs) and counterparties to link up bilaterally, in line with the second Markets In Financial Instruments Directive (MiFID II).

Aquis Technologies, which is part of Aquis Exchange, already has 10 clients who have agreed to connect to the hub, Aquis Market Gateway (AMG).

AMG uses an application programming interface (API) to connect parties on a bilateral basis, simplifying the SI connectivity process for counterparties.

Magnus Almqvist, head of technology sales at Aquis Technologies, said: "SIs are not meant to be multilateral under MiFID II and we don't interfere in the connectivity process at all, that's what differentiates us from our competitors. We don't watch the client relationship or how they communicate, so the SIs retain full control of the information sent to the counterparty."

He added: "There is a big appetite for this service in the market with large volumes traded in SIs from the outset of MiFID II."

Players are looking to broaden their interactions with SIs in the future and AMG allows them to do exactly that."

Raymond James selects Red Deer for research solution

Raymond James Investment Services has chosen Red Deer's research valuation management solution to meet the compliance requirements of the second Markets in Financial Instruments Directive (MiFID II).



Tadawul implements new measures for market efficiency

The Saudi Stock Exchange Tadawul has implemented new measures in an effort to raise market efficiency, boost investor access, security and liquidity.

As part of the new measures, Tadawul has implemented a market making programme based on global best practices to enhance liquidity and facilitate better price formation.

Changes to methods for determining opening and closing prices and the introduction of the market making programme are to be implemented by Q2 2018.

Tadawul will also introduce a new model allowing asset managers to aggregate the orders of managed assets to ensure best execution and fair allocation for funds and clients, were introduced on 21 January. The new measures come after Tadawul signed an agreement for Nasdaq to replace its post-trade technology infrastructure in December.

Nasdaq's technology replaced Tadawul's registry, depository, clearing and settlement

solution, which was implemented in 2001. Nasdaq's technology will support the existing trading and market surveillance technology. According to Tadawul, the initiation of Nasdaq technology, as well as these new changes, will bring further growth to the market, and will reduce risk in the post-trade area, in compliance with international standards.

Commenting on Tadawul's new measures, Khalid Abdullah Al Hussan, CEO of Tadawul, said: "The cumulative impact of these measures will be a more efficient, liquid and secure market for investors and intermediaries that is further aligned to international best practices."

He added: "This next generation of market improvements builds on and augments the reforms already successfully implemented by Tadawul in 2017."

"These measures and reforms are creating a more attractive investment climate for domestic and international investors alike and have attracted more than 100 major financial institutions to open accounts in the Kingdom."

The solution will enable Raymond James to manage its entitlements, inducement, consumption and voting requirements, while also streamlining its approach to MiFID II compliance.

Red Deer's research valuation solution provides research consumption through email, chat and voice, giving buy-side firms an accurate view of their research value.

It also allows firms to allocate budgets at the fund, strategy or individual level to ensure budgets are maintained.

Anthony Scott, head of business development at Raymond James, said: "Red Deer offers a user friendly, configurable system that effectively allows the Raymond James branches and directly authorised firms that work with us to tailor their research to their individual investment propositions, whilst also enabling us to measure research consumption, quantitatively as well as qualitatively."

Henry Price, chief client officer at Red Deer, commented: "Post 3 January, our clients are moving from initial regulatory compliance, to look for better ways to service their investors."

"This added detail enables more meaningful discussions with providers and within firms, ensuring the development of increasingly insightful and relevant future research offerings, a change which is beneficial to all parties."

Northern Trust acquires technology resources from Citadel

Northern Trust has reached an agreement to use Citadel's software solution, Omnium, in-house.

The bank acquired Citadel's hedge fund administration business, Omnium back in 2011 and licensed their middle and back office investment technology.

Though, Citadel has now agreed to give Northern Trust an undisclosed number



BNP Paribas completes first fund transaction test using blockchain

BNP Paribas Asset Management has completed a full end-to-end fund transaction test late 2017 using blockchain technology.

The test was conducted using BNP Securities Services's blockchain programme, Fund Link, and FundsDLT, a blockchain-based platform for fund transaction processing.

FundsDLT was developed by a three-way collaboration between Fundsquare, InTech and KPMG Luxembourg.

According to BNP Securities Services, the test demonstrated that Fund Link is able to connect with other blockchains, marking a "key milestone for fund distribution".

The transaction included each part of the fund trade process, from delivery of the order to the processing of the trade.

Fabrice Silberzan, COO of BNP Paribas asset management, said: "We have a unique opportunity to continue shaping the future of the asset management industry using digital technology, and transform the fund distribution process. While investors will benefit from reduced transaction time, we will also profit from a sleeker, more streamlined system underpinned by technology and relevant for all fund types and geographies."

Olivier Portenseigne at Fundsquare, added: "We are delighted to see BNP Paribas Asset Management come on board as a frontrunner in pioneering and testing our platform. FundsDLT is an international initiative that streamlines a number of activities within the fund distribution value chain, and as a consequence, will reduce costs for the benefits of investors across fund and investor domiciles."

of development staff, as well as software development rights for Omnium.

According to Northern Trust, the agreement will enable deeper collaboration between Northern Trust's operations professionals and its team of developers to provide solutions for alternative fund managers, asset managers and institutional investors. It will also give Northern Trust greater control over its technological enhancements.

Peter Cherecwich, president of Northern Trust corporate and institutional services, said: "We are excited to have the opportunity to bring this technology development team to Northern Trust."

"Their deep expertise has been a key contributor to our growth, and has been critical to our success in delivering solutions to our clients – which are among the world's most sophisticated asset managers and institutional investors."

Gerald Beeson, COO of Citadel, commented: "This change in our technology relationship with Northern Trust will enable each organisation to better focus on their core strategies as both firms continue to experience significant growth."

Lombard Risk share prices soars after Vermeg takeover offer

Dutch financial software provider Vermeg has set its sights on acquiring Lombard Risk with a £52.08 million cash for shares offer.

Under the offer of Vermeg, Lombard Risk shareholders will receive 13 pence for each ordinary share.

Lombard Risk board stated that it considered the terms of the acquisition to be "fair and reasonable".

The takeover news has driven up the compliance software company's stock price to 12.5 pence from 6.55 pence as of 10 January.

Badreddine Ouali, founder and chair of Vermeg, said: "Vermeg's acquisition of



MiFID II has shrunk equity research by \$300 million, says study

The new second Markets in Finance Instruments Directive (MiFID II) rules on payments for investment research have already shrunk the market for European equity research by an annual \$300 million, according to a new study by Greenwich Associates.

The study, known as The Greenwich Report, showed that in the run up to MiFID II, 39 Europe-based study participants reduced this year's research and advisory budgets by 20 percent year-over-year.

Greenwich Associates estimated that the 2017 European research/advisory pool currently stands at \$1.35 billion, meaning that this year's market has already shrunk by almost \$300 million.

The study, which kicked off in 2017, questioned institutional equity investors to understand how these changes have affected the industry and what the market can expect after the launch of MiFID II on 3 January.

However, a third of respondents said they will still pay research providers the same amount as last year. Greenwich Associates stated that the impacts of MiFID II "won't be evident before the end 2018".

The study also examined the movement and behaviour of US investors, many who comply with MiFID II in order to continue working with European clients.

In a statement, Greenwich Associates said: "A growing number of US asset managers are following the example of

their European peers by opting to pay for research themselves under MiFID II."

William Llamas, associate director of relationship management at Greenwich Associates, and author of a new report, MiFID II is Here: How Investment Managers Have Prepared, found that MiFID II has actually prompted investors to cut ties with some research providers.

Llamas said: "Managers express concern about the message it would send to their investors if they made sudden and substantial cuts. Any sign that managers have been wasteful in their spending in the past would resonate poorly."

The new report also provides typical pricing levels for these relationships, as well as for "mid-level" access and "written only" research relationships—some of which have been priced as low as \$15,000 per year.

Commenting on this, Llamas said: "Pricing research at such a low level puts enormous pressure on small providers whose core business is producing equity research."

Respondents reported more than a 20 percent decrease in research counterparties in Europe.

According to Greenwich Associates, since both budgets and provider lists have been reduced to a similar degree, the amount budgeted for each provider or broker will remain relatively flat year-over-year. Llamas explained: "In other words, if you make the cut, you won't get axed."

Lombard Risk will create a leading global financial software provider, with the scale and network to service an increasingly global and consolidating customer base.”

“With highly complementary offerings and minimal overlap regarding geographies and product portfolio, the combination provides a strong platform for future growth and value creation.”

Philip Crawford, chair of Lombard Risk, said: “The combination of Vermeg and Lombard Risk has very strong commercial logic.”

“The combined group will benefit from a range of complementary products and solutions, increased scale, a broader international presence and have the ability to accelerate growth through investment and wider routes to market.”

SETL and OFI AM begin to process blockchain transactions on IZNES

IZNES, the pan-European record-keeping platform for funds, has started to process live transactions.

The platform is powered by SETL’s blockchain technology, has begun processing live transactions in a series of trials with selected clients, with assistance from OFI Asset Management.

IZNES allows investors and distributors to subscribe and redeem fund units via direct connection with an asset management company.

According to SETL, this new process enables IZNES to exchange information within its existing fund distribution programme, excluding the need for a transfer agent, reducing transaction costs. IZNES has also introduced the initiative to other asset managers, including Groupama AM, La Financière de l’Échiquier, and Arkéa Investment Services.

Pierre Davoust, CEO of SETL France, said: “The flexibility of IZNES allows it to be deployed with minimal impact on other business processes and logic.”

“This enables investors, distributors and asset managers to operate their usual internal tools to process their orders on the SETL blockchain.”

Peter Randall, CEO of SETL development, commented: “This is an important step in bringing 21st Century technology to the asset management sector, including reduced costs, better transparency and workflow.”

“When this project is fully operational it will be the largest single instance, by value, of a permissioned blockchain in the world.”

SS&C Technologies snaps up DST

SS&C Technologies Holdings has entered into an agreement to acquire DST.

As part of the deal, SS&C will purchase DST in an all-cash transaction for approximately \$5.4 billion.

DST is a provider of specialised technology, strategic advisory, and business operations outsourcing to the financial services and healthcare industries.

The acquisition expands SS&C’s footprint into the US retirement and wealth management markets and bolsters over 110 million investor positions across DST’s client base, driving increased automation and efficiency across wealth management account servicing.

Bill Stone, chairman and CEO of SS&C, said: “The rate of change, the technology required and the requirements of integrated solutions in the investment and wealth management space are unprecedented.”

“The combination of SS&C and DST is an exciting opportunity and will continue to deliver solutions, globally.”

“We will, together, continue to build on the relationship since we acquired DST Global Solutions in 2014.”

“We are also excited to have the DST employees from around the world join the SS&C team and look forward to having a

continued local presence in Kansas City. Further, we look forward to partnering with DST’s customers.”

Steve Hooley, chairman, president and CEO of DST, added: “SS&C has a rich history of delivering best-in-class technology that complements DST’s existing solutions, and, as part of SS&C, we will be able to advance our extensive, multi-year strategic transformation.”

The transaction is expected to close by Q3 this year.

KPMG Switzerland and SIX team up

KPMG Switzerland and SIX Securities Services have teamed up to offer a combined package for tax services.

According to KPMG Switzerland, the new bundled service will provide banks with a range of services relating to withholding tax exemptions and refunds.

It will also assist clients with tax reports for foreign clients.

Through this interface, financial institutions can gain access to KPMG Switzerland while simultaneously accessing settlement processes offered by SIX.

Private banks in Switzerland and Liechtenstein will now have the opportunity to access two separate services for tax reclaim and tax reporting.

Michael Ripken, COO of SIX Securities Services, commented: “Since KPMG and SIX Securities provide complementary tax services geared toward the same group of clients, it stands to reason that we should pool our areas of expertise and simplify clients’ access to these services.”

DTCC launches new trade platform

The Depository Trust & Clearing Corporation (DTCC) has launched DTCC Exception Manager.

The platform is DTCC’s latest addition to its trade processing product suite, supporting securities transactions globally.

According to DTCC, the platform enables market participants to publish, manage and communicate exceptions through every stage of a trade.

Exception Manager also has a configurable risk dashboard to measure and chart exceptions based on risk criteria.

It also identifies the root cause of operational breaks, such as incorrect standing settlement instructions (SSIs).

DTCC conducted a survey in mid-2017 among 364 senior buy- and sell-side professionals.

Some 78 percent of those asked said that missing or incomplete SSIs were the “biggest pain point” affecting post-trade processes.

Respondents were located in the Americas, Europe, Middle East, Africa, Asia-Pacific, Japan and Australia.

Matthew Stauffer, managing director and head of institutional trade processing at DTCC, said: “Trade data needs to be consumed and processed from many disparate systems, including matching engines, trading counterparties, settlement entities and market infrastructure providers—and the related communications, which are predominantly emails, are overwhelming, cumbersome to manage and introduce risk.”

He added: “[DTCC Exception Manager] centralises and standardises exception processing to enable faster resolution, delivers a significant reduction in the number of exceptions and supports exceptions in trade validation and settlement processing.

asset servicing times

Have a news story we should cover?

Contact us via:

beckybutcher@blackknightmedia ltd.com

ESMA delays publication of DVC data

The European Securities and Markets Authority (ESMA) has delayed the publication of the data on the double volume cap (DVC) mechanism for January to avoid creating an “uneven playing field”.

According to ESMA, the current quality and completeness of the data does not allow for a sufficiently meaningful and comprehensive publication of double volume cap calculations, as required under the second Markets in Financial Instruments Directive (MiFID II) and Markets in Financial Instruments Regulation (MiFIR).

ESMA made the decision based on the analysis it had collected since 3 January on the quality and completeness of the data received from trading venues to perform DVC calculations. The DVC requires all trading venues listing a particular equity instrument to provide data on trading activity for the complete previous year. A failure to provide such information would lead to incompleteness in the relevant data for that instrument.

According to Steve Grob, director of Fidessa, a British software firm, ESMA may be facing its first MiFID II “Heisenberg moment”. Grob suggested that the delay reflects similarities to the famous Uncertainty Principle.

He said: “Anyone who has watched the cult TV series Breaking Bad knows that Heisenberg was the clandestine alias adopted by the show’s chief protagonist, Walt White. The ‘original’ Heisenberg was, of course, the German theoretical physicist who developed the Uncertainty Principle.”

“Simply stated it says that one can know either the position of a particle or its velocity but not both. Or, put more colloquially, the harder you try and measure something the less likely you are to be successful.”

He added: “I wonder, therefore, whether ESMA is facing its first MiFID II ‘Heisenberg moment’ as it realises the difficulty in calculating something as seemingly simple as the dark pool caps.”

ESMA received files from 75 percent of trading venues but only received complete data for approximately 650 instruments, which accounted for around 2 percent of the expected total.

Also, the data they received did not cover the entire 12-month period from January to December 2017, which is relevant for the DVC calculations in January 2018.

ESMA stated that the DVC IT system is more complex compared to the other MiFID II IT systems.

Commenting on this, Grob sympathised with ESMA, he said: “It’s not the fault of ESMA, however, but their political masters who have sought to dumb down financial markets into juicy sound-bites in order to show that they are being ‘firm but fair’.”

Grob also added that the case for dark pool caps and their levels were never made, which he said would make the data meaningless, because last year’s reporting regime overlaps with the 2018 version.

He said: “So, just one week in, we are starting to see that simply shipping truckloads of data from participants to regulators is no slam-dunk for greater transparency, safer markets or better trading outcomes.”

ESMA has now predicted that the publication of DVC data will now be in March and explained it would be working with national competent authorities and trading venues to address data quality and submission issues—to “close the gaps in reporting as soon as possible”.



RBC Investor & Treasury Services

Specialist Expertise Assured Financial Strength

Combining specialist expertise alongside innovative technology, RBC Investor & Treasury Services delivers asset servicing solutions to support asset and fund managers in achieving their investment, market and product expansion objectives.

To discover how we can help, visit rbcits.com

Distribution Services | Securities Processing & Administration | Information Management | Transaction Banking | Optimisation

RBC Investor & Treasury Services™ is a global brand name and is part of Royal Bank of Canada. RBC Investor & Treasury Services is a specialist provider of asset servicing, custody, payments and treasury services for financial and other institutional investors worldwide. RBC Investor & Treasury Services operates primarily through the following companies: Royal Bank of Canada, RBC Investor Services Trust and RBC Investor Services Bank S.A., and their branches and affiliates. RBC IS Bank S.A. is supervised in Luxembourg by the CSSF and the European Central Bank. In the UK, RBC I&TS operates through RBC Investor Services Trust, London Branch & Royal Bank of Canada, London Branch, authorised and regulated by the Office of the Superintendent of Financial Institutions of Canada. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. RBC I&TS UK also operates through RBC Europe Limited, authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Additionally, RBC I&TS' Trustee and Depositary services are provided through RBC Investor Services Bank S.A., London Branch, authorised by the Commission de Surveillance du Secteur Financier (CSSF) and European Central Bank (ECB) and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request. In Australia, RBC Investor Services Trust is authorized to carry on financial services business by the Australian Securities and Investments Commission under the AFSL (Australian Financial Services Licence) number 295018. In Singapore, RBC Investor Services Trust Singapore Limited (RISTS) is licensed by the Monetary Authority of Singapore (MAS) as a Licensed Trust Company under the Trust Companies Act and was approved by the MAS to act as a trustee of collective investment schemes authorized under S 286 of the Securities and Futures Act (SFA). RISTS is also a Capital Markets Services Licence Holder issued by the MAS under the SFA in connection with its activities of acting as a custodian. In Guernsey, RBC Offshore Fund Managers Limited is regulated by the Guernsey Financial Services Commission in the conduct of investment business. Registered Office: PO Box 246, Canada Court, St Peter Port, Guernsey, Channel Islands, GY1 3QE, registered company number 8494. In Jersey, RBC Fund Administration (CI) Limited is regulated by the Jersey Financial Services Commission in the conduct of fund services and trust company business in Jersey. Registered office: Gaspé House, 66-72 Esplanade, St Helier, Jersey JE2 3QT, Channel Islands. Registered company number 52624. In Hong Kong, RBC Investor Services Bank S.A. is a restricted license bank and is authorized to carry on certain banking business in Hong Kong by the Hong Kong Monetary Authority. RBC Investor Services Trust Hong Kong Limited is regulated by the Mandatory Provident Fund Schemes Authority as an approved trustee. © / ™ Trademarks of Royal Bank of Canada. Used under licence.



Making the most of MiFID II

Fabrice Bouland, CEO of Alphametry, explains how the financial services industry has dealt with MiFID II and looks to the future of the regulation

Becky Butcher reports

How well prepared do you think the financial services industry was for January's second Markets in Financial Instruments Directive (MiFID II) deadline?

I don't think it was much of a surprise to anyone that many firms were not very well prepared. Over the past two years, preparing for the MiFID II deadline has been a slow and painful process, plus we have seen variation depending on country, company type and size.

Most firms have made trading reporting requirements a priority, which are important for market functions.

In terms of research unbundling, very few firms have established a clear policy on their MiFID II position. In 2017, the sell side went

through the process of price discovery, while the buy side has been securing prices and trying to better understand the new regulation in terms of their own internal processes and avoiding inducement breaches as set out by MiFID II. We are now a few weeks in so it will be interesting to see if preparations made before the 3 January deadline have been sufficient in meeting requirements.

What should firms focus on now that the deadline is here?

From a research perspective, this year is going to be about tracking consumption and putting a proper evaluation framework in place. It's really the first in-depth analysis and understanding of investment research that has been done, so that's what everyone is going to be focusing on. Once investment firms have a good idea about what they consume and they value, they can step into the next phase, which is to diversify their research provider sources going forward.

In late December, ESMA delayed the enforcement of the LEI requirements for MiFID II do you think this was a relief for many?

I have a mixed opinion. The reason being because legal entity identifier (LEI) requirements don't affect the majority of trading volumes. The release came late so the industry wanted to delay it for around six months.

I don't think that'll be long enough because MiFID II comes with a massive IT revamp. There's a lot to be done in terms of technology and for the firms involved it will take some time for this to be implemented.

Do you think there'll be more challenges over the next month or so and for the rest of the year?

The challenges we see can be broken down between operational and data challenges. Essentially, a lot of business workflows are changing. The challenge for the firm is to redesign, implement and control new ways of doing things.

If you take research, most firms will absorb costs, meaning they are going to pay for research directly rather than charging it to clients. With this in mind, they absolutely need to track, in an exhaustive way, what their portfolio managers are going to consume.

Compared to pre-MiFID II, it's very unlikely that portfolio managers will have the luxury of accessing reports whenever they wish and from whatever channel or source. They need to adapt to new workflows now. So that's a human challenge.

Analytics is the second part. What MiFID II reveals in terms of data, is how much investment firms have been failing to invest in infrastructures to generate business intelligence data for their day-to-day operations and strategic positioning.

MiFID II has also revealed that there's a lot of technology missing, and that all comes at once, so it's challenging to decide and opt for technology to sustain most of your MiFID II data plan. You need to have a data-driven strategy just to survive.

The FCA has now confirmed it will act if pricing reaches a stage where research appears significantly undervalued. Do you think the FCA should have stepped in sooner?

Definitely. The message that the Financial Conduct Authority (FCA) is trying to get across is that asset managers have a responsibility not to consume research prices that are too low or they risk breaching inducement rules.

But in the longer term, there must be a responsibility from the asset manager to make the research market work because they are the buying power and the consumer of the research. There are huge benefits for them to start mapping and consuming valuable information which comes from a wide number of sources, and not just the big providers. If the banks oligopoly remains, that will mean MiFID II has failed.

Most of the funds expect a grace period. But everyone is carefully watching when and how the European regulators are going to sentence regulatory failures and how strongly they are going to sentence them. The FCA has been very active recently. The law has been designed and explained, now we're in the enforcement phase.

In the long run, do you think that MiFID II will have a positive impact on the industry?

If we can erase some of the oligopoly that exists, making the markets more transparent is going to be achievable for Europe. It will lead to innovation, and will mean better investment for everyone.

The goals of MiFID II are clear, to have a set price for research and a rich offering, to increase the quality of investment research and ultimately to generate better investments and better transparency for the investor. For the active asset manager and user of the investment research, it will mean more investment in technology while better evaluation of resources that they are actually using. It should level the playing field and help create a more competitive environment. Much of the investment process is very manual. Acquiring the right technology can help to automate and augment the portfolio manager day-to-day. This will raise standards across active asset management. **AST**

If we can erase some of the oligopoly that exists, making the markets more transparent is going to be achievable for Europe. It will lead to innovation, and will mean better investment for everyone

Fabrice Boulard, CEO and founder, Alphametry



Connecting Hong Kong

Julien Kasparian, head of Hong Kong at BNP Paribas, explains the financial services industry in Hong Kong and how it competes globally

Becky Butcher reports

How has the Shenzhen Stock Connect grown over the past 12 months and do you expect that growth to continue?

The implementation of the Shenzhen Stock Connect programme was an important step in the process of ensuring the overall China Connect programme meets the needs of investors. It is fair to say that when it was first implemented, a number of investors were still reticent to gain access to the connect market due to the lack of a real delivery versus payment settlement solution. This was implemented in November 2017 and since then interest in Stock Connect generally has risen significantly from a slow start.

Stock Connect will undoubtedly continue to grow and it is likely that growth this year will outstrip that of 2017 where we saw about a four-fold increase over 2016 volumes. It is fair to say that, while the wider market activity has grown, a large number of potential investors are still becoming comfortable with the operating model. With the inclusion of Chinese securities into the MSCI Emerging Market Index (due in June 2018) and the attractiveness of the returns on offer, I can only see growth heading one way.

There has been talk of another connect programme around ETFs for the Chinese market. How will the introduction of an ETF Connect affect asset servicing providers in Asia and when do you expect this to launch?

Investor interest in exchange-traded funds (ETFs) across the globe has increased significantly in recent times and Asia is no exception. The ETF Connect proposal will allow investors to enjoy the same breadth of investment they get in other markets from a single purchase for their investments into China. At the same time, it is true to say that there is a large push for the ETF Connect programme from China-based investors to allow them to gain greater exposure to offshore investments.

The impacts to asset servicing providers in Asia in part depend on the operating model applied. Will ETF Connect be implemented to complement Stock Connect, for example, or will it have its own operating model? At present it seems likely that it will be the former

and so the impacts to asset servicing providers will not be as significant as they could be from a pure settlement and safekeeping perspective. Of course, we will not know for sure until the authorities release detailed information on the solution which historically has come in short order before the market go-live.

The noise around the market is that we should expect go live in the latter part of the year, which suggests it will be a few months yet before we have any concrete details on the proposed solution. From discussions with market participants we expect an ETF Connect scheme to more closely follow the Stock Connect rather than the MRF schemes.

There is a potential for strong interest from Chinese investors in an ETF Connect scheme as they would be able to access a large range of global ETF funds (almost all large international indices) for the first time.

The recent new approvals in the mutual recognition of funds (MRF) pipeline might be a signal that the Chinese regulator is increasingly willing to change the game and through the various schemes, such as qualified foreign institutional investor, qualified domestic limited partner, or MRF, there could be a new wave of internationalisation on the horizon.

Before September, when I was based in the UK, we already had some discussion around the connect initiatives in Asia, but it wasn't until I arrived in Hong Kong that I was able to fully appreciate the pace of change here. The speed at which schemes are rolled out is incredible. For example, we saw Bond Connect announced and implemented within only a few months.

With Hong Kong being the gateway to China, have you seen any developments in the Chinese market?

Step by step, the Chinese market continues to open up, and a new series of regulatory reforms and measures have been released in recent months. Offshore investors or asset managers can now access more easily the Chinese market to invest or raise capital.

One of the channels available to foreign investors to get exposure to the Chinese market is the via the Renminbi Qualified Foreign

Institutional Investor (RQFII) scheme and in July 2017 the quota allocated to Hong Kong-based investors was nearly doubled. Since Hong Kong has the largest RQFII quota allocation in the world and this has reinforced the role of Hong Kong as the main gateway to access Chinese markets. We have seen a strong increase in the number of Chinese securities held by foreign institutions, with the RMB 1 trillion (approximately €130 billion) mark reached for the first time in August last year for the fixed income market and in September last year for the equities market.

More recently, new measures on fixed income repo activity were released to further promote RMB internationalisation and improve fixed income RMB cross-border settlement. This will allow eligible offshore RMB clearing banks and offshore RMB participating banks to enter the market.

Finally, last year was also a key milestone with the launch of the first private funds fully managed by foreign asset managers in China via a wholly foreign owned enterprise (WFOE). Ten foreign asset managers received a licence and five funds have been launched to date.

Traditionally, Hong Kong has been one of the main hubs for financial services in Asia, how is the country competing with up and coming competitors?

Hong Kong benefits from its long-established fund management industry and its privileged access to Chinese markets. However, competition between fund jurisdictions in the Asia Pacific region is getting more intense. With the launch of new company fund structures in Australia (the Collective Investment Vehicles (CIV) and Singapore (the Singapore Variable Capital Company (S-VACC), Hong Kong is due to launch a new open-ended corporate fund company (OFC) structure this year. This is part of a series of local market infrastructure enhancements to further develop the city as a full-service international asset management centre and provide additional options for fund managers, also including the alternative assets.

Hong Kong is a vibrant city bringing together people and organisations of many different cultures and backgrounds. This allows the Hong Kong financial industry to continue to innovate and provide new business models to support Asian investment. There are

areas of the market under pressure from offshore hubs to maintain their regional share.

The Hong Kong government is building an ecosystem to support digital disruption. The regulator is facilitating new projects, creating sandbox and encouraging industry bodies to innovate and leverage the new technological tools available.

The Hong Kong Exchange is looking to dematerialise their settlement platforms and replace legacy technology with the latest platforms that can bring added value and flexibility to their client base.

To maintain Hong Kong's competitiveness from a fund distribution perspective, a number of initiatives have been put in place by the Securities and Futures Commission, including an mutual recognition for funds with China, Switzerland, France and more in the pipeline. These are in addition to legacy mutual recognition fund scheme with Australia, Taiwan and Malaysia.

There have also been discussions with the EU to be recognised as an equivalent jurisdiction under the Alternative Investment Fund Managers Directive.

With Hong Kong choosing to follow a European regulation model, how has MiFID II, Packaged Retail and Insurance-based Investment Products affected the asset servicing market and maintained parity?

Asia's brokers or asset managers trading any asset class or providing research to clients based in the EU and UK are impacted by the new second Markets in Financial Instruments Directive regulations and have to comply with the new rules when trading in these two jurisdictions.

The new regulations will also affect Asian trust funds entirely investing into Asian equities but with underlying European investors.

We are yet to see the full impact of MiFID II, however, it offers asset managers and brokers an opportunity to adapt their business models. **AST**

We are yet to see the full impact of MiFID II, however, it offers asset managers and brokers an opportunity to adapt their business models

Julien Kasparian, head of Hong Kong, BNP Paribas





Don't miss your copy of Asset Servicing Times

ITAS

Luxembourg

February-March

27-01

finance.knect365.com/itas

ALFI European Asset Management

Luxembourg

March

06-07

events.alfi.lu/european-asset-management-conference/

6th Edition Nordic Asset Allocation:
Investing in Alternative Asset Classes
Luxembourg

March

07-09

marcusevans-conferences-paneuropain.com

ALFI London Cocktail and Conference

London

May

02-03

events.alfi.lu/london-cocktail-conference-2/



Over 98%

throughput rate across
asset classes



Administer/ Service

a wide range of Corporate Actions



Multi-Asset,
Multi-Currency,
Multi-Lingual Solution



Market Leader

in India with significant
traction in International Markets



Supports

SWIFT 15022
messaging standards



Intellect OneMARKETS offers a robust, scalable and comprehensive 360-degree digital platform that supports straight-through processing, direct market access, and high speed execution across a variety of asset classes and market segments with seamless interfaces to local and international market infrastructure providers like exchanges, central counter-parties, custodians, and central securities depositories. It minimizes pre and post trade operational risk by digitizing asset servicing functions across front, mid and back offices

Analyze

statistical data related to
settlement & corporate action
transactions



Intellect OneMARKETS is designed to seamlessly fit into your technology landscape. It has ready connectivity with:

15 Exchanges

14 Depositories

06 Leading
Core Banking
Systems

02 ICSDs

A Securities Trading & Asset Servicing Platform

High Throughput Solution for Custodial Clients

Movement at Standard Chartered Bank, LAS and more

Standard Chartered Bank has named Lisa Robins as the new global head of transaction banking, effective 19 February.

Based in Singapore, Robins will report to Simon Cooper, CEO of corporate and institutional banking.

In addition, Robins will join the bank's corporate and institutional banking management team.

After working in the financial services industry for 38 years, Robins has served roles at Louis Dreyfus, JP Morgan Chase and most recently Deutsche Bank, where she served as head of global transaction banking for Asia Pacific.

Cooper said: "As a banking veteran with deep experience running international transaction and commercial banking across complex markets, Lisa Robins will ensure that the business goes from strength to strength as we deliver our network and innovative solutions to our clients."

Commenting on her appointment, Robins added: "I am very much looking forward to leveraging my experience, built over many years across various growth markets, to see how we can further accelerate growth for the business and support the banks' wide and deep base of clients to become an even stronger competitor in the industry."

Link Asset Services (LAS) has hired Jean-Luc Neyens as head of fund solutions and Cornelius Bechtel as managing director in corporate services.

LAS made these two appointments to strengthen its fund and corporate services.

Neyens was previously chairman at Degroof Petercam Asset Management and a former managing director at Degroof's Super ManCo in Luxembourg.

Bechtel was previously a partner in corporate services at accountancy firm BDO Luxembourg.

The appointments follow the recent acquisition by Australia's Link Group of Link Asset Services from Capita, a UK-based outsourcing firm.

Commenting on the appointments, Anthony O'Keeffe, CEO of LAS, said: "We're looking not only to grow our already successful corporate services business, but also to build our UCITS management company and alternative investment fund managers directive capability servicing fund initiators from around the globe."

He added: "Both Jean-Luc Neyens and Cornelius Bechtel will be valuable additions to our Luxembourg team, playing key roles in helping us achieve our long-term ambitions for growth."

The Depository Trust & Clearing Corporation (DTCC) has appointed Timothy Lind as managing director of data services.

Lind will be responsible for guiding data businesses, including services that leverage data derived from DTCC's global processing platforms, as well as monitoring all risk management and regulatory requirements.

He has experience in global capital markets infrastructure and the deployment of technology for operational efficiency, data governance, transaction automation, regulatory compliance and risk management.

Prior to DTCC, Lind was global head of financial regulatory solutions at Thomson Reuters where he was responsible for developing and overseeing the growth of solutions to meet regulatory compliance data challenges.

He was also a consultant at RTech Advisors and worked at Omgeo, now a part of DTCC, as its chief strategy officer.

Commenting on the appointment, Tim Keady, managing director and head of DTCC Solutions, said: "Tim Lind brings to DTCC more than 25 years of domestic and international experience in the capital markets, including a rich background in data offerings."

"We look forward to Lind's contributions, working with our community to continue advancing our data strategy with an emphasis on reducing risk, enhancing data transparency and maximising value for our clients."

Lind added: "I'm excited to partner with my colleagues and the industry to identify innovative ways to increase the value of DTCC's data offerings to enable compliance with regulatory requirements, optimise capital use and more effectively manage risk."

Broadridge Financial Solutions has appointed Tom Carey to head up the firm's new international business Broadridge International, in an attempt to expand into Europe, the Middle East and Africa (EMEA), as well as Asia Pacific markets.

Carey will also serve on Broadridge's executive committee.

Previously, Carey headed up the firm's technology and operations solutions business in EMEA and Asia Pacific.

In the newly created role, Carey will work closely with the firm's governance and communication product groups led by Patricia Rosch outside of North America.

Rosch, who works as international head of Broadridge investor communication solutions, said: "Working closely with Tom Carey and his team will enable us to take our current and next generation of products directly to market in EMEA and Asia Pacific in the most effective manner to meet clients' growing needs."

Carey added: "I am excited to lead our international efforts outside of North America, redoubling our focus and commitment to helping our clients support their business needs through the global scale and local relevance of our solutions and services, to meet today's challenges and capitalise on what's coming next."

Saxo Bank has appointed Damian Bunce as chief client officer (CCO).

As CCO, Bunce will be responsible for the origination, retention and growth of Saxo Bank's direct and wholesale business.

Bunce will begin his new role in February and will report to Kim Fournais, CEO and founder.

Prior to Saxo Bank, Bunce was managing director and global head of electronic markets at Sberbank CIB in Moscow for six years.

At Sberbank CIB, he was responsible for building and leading the electronic trading side of the business, as well as running the bank's domestic retail brokerage business.

Before that, Bunce worked at Goldman Sachs for nine years, where he led electronic execution sales for Europe.

He also worked at Barclays Capital as managing director and head of European electronic sales trading and distribution for three years.

Fournais said: "We are very pleased to welcome Damian Bunce to drive our client-centric strategy, value proposition and the needs of our key customers."

"Bunce's specialist knowledge and experience complements our quest for continuous growth and scale within our industry."

Bunce commented: "I am honoured to be joining Kim Fournais and his management team at a particularly interesting and pivotal time for Saxo Bank."

"Saxo has an exceptional and longstanding reputation for innovation in financial technology and I very much look forward to capitalising on those strengths to deliver outstanding results for our clients and growth for the bank."

HSBC has appointed Jason Nabi to the newly created role of head of innovation for HSBC Securities Services (HSS), effective from January.

Nabi will be responsible for establishing and managing initiatives across HSS, focusing on technology as well as digital and data solutions. He will report to John van Verre, managing director of global head of custody, and will be based in London.

Nabi also worked at Societe Generale for three years as managing director and global head of global broker-dealer services.

At Societe Generale, Nabi led the launch of new services in the UK and US and helped form the post-trade distributed ledger working group, focusing on the adoption of distributed ledger technology.

Commenting on Nabi's appointment in an internal memo, van Veere said: "I am delighted to announce that Jason Nabi has joined HSBC in a newly created role. I wish him every success in his new role with us."

PineBridge Investments, a private global asset manager, has appointed Michael Karpik as COO.

Karpik will be responsible for global operations, finance, compliance, risk management, product management, funds, and technology functions.

Based in PineBridge's New York headquarters, Karpik will report to CEO Gregory Ehret.

Prior to PineBridge, Karpik was Europe, the Middle East and Africa CEO for State Street Global Advisors from 2012 to 2017, where he was responsible for investment management business in the region.

Before State Street, Karpik was senior funding manager at Sallie Mae in Washington DC from 1993 to 1997.

Karpik has also served as chairman and CEO in roles across the UK, France, and Ireland.

Ehret commented: "Michael Karpik's skill set and experience are a great fit for PineBridge."

"As we continue to grow and evolve as a firm, we are focused on having a strong and scalable operational infrastructure that keeps pace with our progress, anticipates our clients' needs, and addresses the challenges ahead."

Karpik said: "I'm thrilled to be joining PineBridge in this role. PineBridge is extremely well-positioned with a great selection of investment capabilities, a global distribution platform, and a company culture that is clearly focused on delivering for its clients." **AST**



Think Malta, think BOV Fund Services

Are you a fund promoter or a fund manager seeking to set up your funds in a proven EU jurisdiction?

At BOV Fund Services Limited, we can provide you with a “cradle to grave” fund administration services package which encompasses both a turnkey fund formation solution, as well as a full suite of fund administration back office services. Our professional team can assist you in assessing the various regulatory options for your strategy, investor base and intended distribution model, thereby ensuring that you opt for the right structure. BOV Fund Services offers a comprehensive service covering the entire pre-and post-filing of the licence application process, up to the issue of the respective licences by the financial regulator in Malta. Our extensive experience also covers the provision of fund redomiciliation services from offshore jurisdictions to Malta, the handling of cross border mergers of UCITS funds, as well as the passporting of alternative and retail funds from Malta to other EU markets.

BOV FUND SERVICES

+356 2122 7148

www.bovfundservices.com

infobovfs@bov.com

BOV Fund Services Limited is recognised to provide fund administration services and licensed to provide company services by the Malta Financial Services Authority.

BOV | **FUND
SERVICES**