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The CSDR solution

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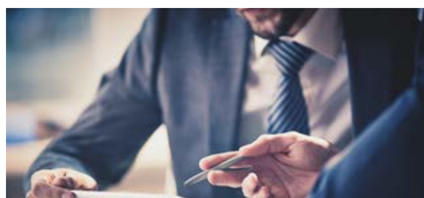

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Broadridge releases new MiFID II solution

Broadridge Financial Solutions has launched a new solution to support investment firms with the second Markets in Financial Instruments Directive (MiFID II) ex-post reporting obligations outlined under Article 50 of the delegation regulation.

This solution, which is part of a suite of MiFID II services developed by Broadridge's Fund Assist business, will aggregate and process investor and product data, calculate the personalised cost information and produce the end investor statements.

According to Broadridge, the highly automated, straight-through process will help enable investment firms to meet their regulatory obligations and deliver investor statements ahead of the regulation deadline.

Under Article 50 of the MiFID delegated regulation, an investment firm is obliged to provide annual ex-post information about all costs and charges related to both the financial instruments and investment services provided to their clients.

The information for this year must be provided to clients no later than the end of April next year and must be personalised, based on actual incurred costs and show the cumulative effect that these costs have on the return on investment.

Patricia Rosch, president of Broadridge's international investor communication solutions business, said: "MiFID II compliance adds to the scale and complexity of regulatory change affecting firms operating in European jurisdictions."

She added: "Delivering proprietary end-to-end solutions, based on advanced technology and combined with our exceptional depth of regulatory expertise, helps investment firms manage this highly complex regulatory issue and be prepared to capitalise on what's next."

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Sanne gets green light as service provider in Hong Kong

Sanne Group Asia has been authorised to provide trust or company services in Hong Kong by the Hong Kong Companies Registry.

The authorisation further enables Sanne to provide an enhanced suite of services to the Asia Pacific (APAC) alternative investment managers, in addition to its existing offering as a trust or company service provider. The licence comes just over 12 months after Sanne appointed Mark Law as managing director of alternative assets for APAC and Mauritius, who is based in Hong Kong.

Martin Schnaier, CCO at Sanne, said: "Our new trust or company services provider license enables us to strengthen the services we provide to our APAC clients from large asset managers, investment funds, corporate and financial institutions."

"The awarding of our trust or company services provider license enhances our fund's capability in the region, which fits our APAC growth strategy and further highlights our global end-to-end services offering in Hong Kong."

Sanne plans for further expansion to meet the rising demand for outsourced business administration services in Europe, the Middle East and Africa, the Americas, and APAC regions.

State Street expands Middle East presence

State Street Corporation has opened its first Abu Dhabi office, which will be located in the Abu Dhabi Global Market (ADGM), the country's international financial centre.

This is the firm's second office in the United Arab Emirates, building on its 26-year presence in Dubai.

According to State Street, the firm's new office will strengthen its current service offering for its Middle East clients in areas including global custody, accounting, risk and performance analytics, and securities lending, as well as indexed, overlay, multi-asset and active investment management.

The firm's presence in the Middle East will be led by Oliver Berger, senior executive officer for State Street Bank and Trust, and Emmanuel Laurina, senior executive officer for State Street Global Advisors.

State Street has also unveiled a research paper that draws on survey responses from 306 institutional investors based in the Middle East and North Africa (MENA), who were asked about their outlook for growth and future economic trends in the region.

According to the research, more than three quarters (78 percent) of those surveyed are optimistic about their own growth prospects in the Middle East.

Some 75 percent foresee growing inflows into Gulf Cooperation Council (GCC) domiciled funds over the next five years.

In a sign of growing sophistication and increasing risk appetite, 91 percent plan to diversify their portfolios to historically complex asset classes including emerging market equities, hedge funds, and infrastructure. Furthermore, almost three quarters (73 percent) believe there will be growth in demand for funds which are led by environmental, social, and governance considerations.

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Liz Nolan, CEO of State Street, Europe, the Middle East and Africa (EMEA) and chairperson for State Street global advisors, commented: “To find this level of concurrence and optimism among major institutions is unusual.”

She added: “The results show there is an almost universally positive outlook and prediction of growth in the Middle East and North Africa. Having had a presence in the region for more than a quarter of a century, we have a unique perspective on the institutional investor community, and their positive outlook mirrors our own.”

Richard Teng, CEO of the Financial Services Regulatory Authority for the Abu Dhabi Global Market (ADGM), said: “We extend our heartiest congratulations to State Street Corporation and welcome them to the ADGM family.”

“State Street joins a rapidly growing list of global financial institutions that have chosen to anchor their operations in ADGM to better serve a fast-growing region with dynamic business and investment needs.”

He added: “The strong endorsement by State Street demonstrates its confidence in the exciting prospects and opportunities offered by Abu Dhabi and the region. Their branch office attests to ADGM’s strengths as a fast-growing and award-winning international financial centre. We look forward to supporting State Street in its global growth aspirations.”

ICE and OneMarketData partner on data and analytics service

Intercontinental Exchange revealed that ICE Data Services will offer an on-demand tick data and analytics service, utilising OneMarketData’s OneTick platform.

This service will be provided over the ICE Consolidated Feed, which delivers aggregated real-time data and content from over 600 global sources.

As part of the agreement, OneTick analytics will be hosted by ICE Data Services and powered for customers with the ICE Consolidated Feed. It will offer a cost-effective, on-demand data platform, integrated with low-latency access to normalised information from global markets.

Lynn Martin, president and COO of ICE Data Services, said: “Our Consolidated Feed gives customers a single, normalised source of data from markets around the world. With the addition of OneTick, we’re able to provide an enhanced hosted solution for real-time and historical tick data and analytics to help power customers’ pre-trade models and quantitative trading strategies.”

Jeff Banker, senior vice president at OneMarketData, added: “The industry is seeing an increasing need for real-time and historical tick data to help ensure regulatory obligations are met and optimising trading algorithms.”

Private Client Resources partners with FundCount

Private Client Resources (PCR) has partnered with FundCount to offer an integrated cost-efficient managed data solution within the FundCount platform.

FundCount is a global provider of accounting, investment analysis and reporting software.

The partnership will integrate PCRs TotalWealthStream, the company’s wealth information management platform, with FundCount’s proven general ledger capability.

Combined, PCR and FundCount will deploy a vertically integrated platform with all portfolio and partnership accounting activity delivered through a single general ledger producing normalised, consolidated and accurate data that will be instantly available for reporting.

Brian Shapiro, chief product officer of PCR, said: “We are pleased to be partnering with FundCount to offer their clients a solution that delivers fully transactionalised and analytics ready data from every asset class and instrument type directly into their accounting platform.”

He added: “We very much admire FundCount and their holistic approach to proactively addressing industry accounting challenges as well as their commitment to helping clients streamline the engine of all good decision making—great data.”

Mike Slemmer, COO, Americas of FundCount, commented: “FundCount delivers efficiency and insight to clients—which comes from being able to account, manage, and report on complex holding structures and the full array of liquid and illiquid holdings in a way that few providers can. Efficiency and insight start with data consolidation.”

He added: “The FundCount platform excels at catering to the complex needs of clients ranging from single and multi-family offices to multibillion-dollar alternative fund managers and administrators. By seamlessly integrating with PCR’s TotalWealthStream, clients can easily access hard-to-collect data from a centralised platform to streamline accounting and reporting.”

Koger offers new solution for investor services

Koger has launched an end-to-end digital ecosystem for investor services with compliance, workflow and document management, and client web portal functionality.

Koger is primarily known in the industry for NTAS, its transfer agency system that supports assets from hedge funds, private equity funds, pension funds, money market funds, mutual funds and retail funds.

The Koger product suite now automates a full range of administrative responsibilities including fund onboarding and offboarding; anti-money laundering and know your customer compliance, ongoing customer due diligence, anti-tax evasion regulatory compliance, customer lifecycle management and business process management.

Ras Sipko, Koger’s COO, commented: “Our advanced General Data Protection Regulation-compliant platform now

includes a regulatory and compliance engine, an open source client web portal, and a workflow and document management solution."

He added: "It ultimately provides a full-service, end-to-end, real-time digital ecosystem that addresses the broad range of administrative challenges the industry faces while simultaneously providing full operational transparency to all stakeholders."

"Even if you are pleased with aspects of the platform you are presently using but require more components to make it complete, our solutions can still be purchased as individual modules that can be seamlessly integrated into your existing suite to create your own comprehensive, end-to-end solution. Koger is no longer just NTAS."

NeoXam platform chosen by MünchenerHyp

NeoXam has been chosen by Münchener Hypothekenbank eG (MünchenerHyp), a property financing based firm in Munich, to house all its data and administration in one platform, with NeoXam's DataHub.

According to NeoXam, MünchenerHyp has chosen this solution for its scalability and flexibility in the face of current and future regulatory requirements.

The solution, that was implemented with German consulting firms Finbridge and FORRS, now enables the company to automatically process all the financial market information it uses and reduce the level of operational risk by providing a clear audit trail and considerably improved data quality.

Thomas Raab, project manager at MünchenerHyp, said: "It's difficult to find a solution which offers both excellent data models and a high level of flexibility, and this is what made NeoXam's DataHub the best solution for our needs."

He added: "We are looking forward to working with this model and are confident that the solution's capacity to cope with huge volumes of data and process workflows means it will support us through future growth and business evolutions in accordance with the regulatory requirements."

Florent Fabre, managing director and COO at NeoXam, commented: "With the increased regulatory reporting requirements, banks are now looking for a simple way to access all of their data in one place rather than having to pull data from multiple parts of the business."

He added: "By deploying DataHub, MünchenerHyp will avoid any regulatory or data management headaches, whilst also having a scalable solution which can grow with them."

State Street: Latest investor sentiment towards Brexit

More than a third (37 percent) of institutional investors surveyed think their company will use more cross-border fund locations, as they consider the economic impact of Brexit.

The Q3 2018 survey, conducted by State Street, found over half (57 percent) of survey participants would use Luxembourg for cross-border fund locations, while some 54 percent said they would choose Ireland as the most attractive cross-border fund location.

The survey also indicated that the number of institutional investors looking to increase their holdings of UK assets rose to a record high of 21 percent, an eight percent increase from 13 percent in Q2 2018, and higher than the previous set record of 16 percent in Q3 2017.

In addition, despite a sharp decrease in a positive outlook for the global economy between Q1 2018 and Q2 2018, when investors with a positive outlook dropped from 55 percent to 36 percent, sentiment has now risen to 43 percent.

EFAMA reports dive in European net sales of UCITS and AIFs

The European Fund and Asset Management Association (EFAMA) has published its latest Quarterly Statistical Release, which has reported a dive in European net sales of UCITS and Alternative Investment Funds (AIFs), due to uncertainty about trade policy and international relations.

The release described the trends in the European investment fund industry in the second quarter and the first half of 2018 with key data and indicators for each EFAMA member country.

UCITS and AIFs recorded net sales of €28 billion in Q2 2018, compared to €222 billion in Q1.

Multi-asset funds and other funds registered net inflows of €25 billion and €30 billion, respectively.

Equity, bond, and money market funds recorded net outflows of €0.3 billion, €7 billion and €19 billion, respectively.

UCITS registered net sales of €15 billion in Q2 2018, compared to €171 billion in Q1.

Long-term UCITS (UCITS excluding money market funds), recorded net inflows of €33 billion in Q2, while multi-asset and equity funds attracted net sales of €26 billion and €10 billion, respectively.

AIFs net sales amounted to €12 billion in Q2 2018, down from €52 billion in Q1.

Equity funds, bond funds and multi-asset funds recorded net outflows of €10 billion, €6 billion and €1 billion, respectively.

Total European investment fund net assets increased by 1.6 percent in Q2 2018 to reach €15,788 billion at end June.

Net assets of UCITS increased by 1.5 percent to €9,824 billion, while net assets of AIFs increased by 1.6 percent to €5,965 billion.

During the first half of 2018, UCITS and AIFs attracted net sales of €250 billion, compared to EUR 514 billion in the same period last year.

Bernard Delbecque, senior director for Economics and Research at EFAMA, commented: “Following a good start of the year, net sales of UCITS and AIF plunged during the second quarter as a result of growing volatility in the financial markets and increased uncertainty and concerns about trade policy and international relations.”

Consequently, the number of investors with a negative outlook for global economic growth fell to 15 percent, an eight percent drop from Q2 2018.

Aside from a more optimistic outlook, Q3 2018 saw a growing number of investors anticipating that Brexit would have a major impact on their business operating model, with 26 percent of respondents believing its impact would be ‘significant’, a 12 percent increase from Q2 2018.

Regulatory reporting issues, such as those required under Solvency II and The Alternative Investment Fund Managers Directive, remain the most in-need service (28 percent) despite having fallen by nearly 10 percent since Q1 2018.

Some 17 percent of respondents believe fund restructuring is another area that businesses will need the greatest help with following Brexit, overtaking performance and risk analytics which fell to 8 percent.

Michael Metcalfe, head of global macro strategy at State Street Global Markets, said: “Investor sentiment toward UK assets is becoming increasing bifurcated as Brexit deadlines loom larger’.

‘On balance, the optimists, those planning to increase their holdings, are still winning the day—just.”

He added: “The story of Brexit so far is that fears of economic disruption and capital flight have been unfounded and investors have been willing to give the UK the benefit the doubt.

‘But the closer we get to the key Brexit deadlines without signs that a deal can be reached, the more likely it is these fears will become a reality that investors will need to adjust too.”

Bill Street, head of investments for Europe, the Middle East and Africa, commented: “Sterling has remained under pressure, reflecting currency markets’ low expectations with respect to Brexit negotiations, with only a brief rally as interest rates were raised.”

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Can you hear the drums, Fenergo?

Fenergo's Marc Murphy discusses what is needed to start a successful financial technology start-up, what the company offers and the initiatives it is currently working on

What motivations were behind the creation of Fenergo?

Back in 2008, we saw the Lehman crisis. The largest gap that the Lehman crisis highlighted was the opaqueness around client and counterparty data. Banks, at the time, could not unequivocally identify counterparties who had the largest exposures. As a result, regulators created and enforced new rules for know-your-customer (KYC) and determining the ultimate beneficial owners (UBO) of financial products. At the same time, regulations were being passed to reform over-the-counter (OTC) derivatives, such as the European Market Infrastructure Regulation (EMIR), Dodd-Frank, and market rules such as the second Markets in Financial Instruments Directive (MiFID II). Coupled with these demands was the introduction of tax-based legislation such as the Foreign Account Tax Compliance Act (FATCA) in the US, and the Common Reporting Standard (CRS).

We recognised the need for banks to efficiently address these increasing regulatory demands by automating the client onboarding process. Our understanding of banking operations led us to design a best-in-class client lifecycle management solution that increased operational efficiency, lowered costs, reduced risk and improved a bank's time-to-revenue.

Fenergo, a client lifecycle management solution, is used by a variety of tier one banks including UBS, Santander and BNP Paribas. What is Fenergo's unique selling point?

One of Fenergo's distinct market differentiators is its regulatory community that we have built through our regulatory forums in which a global collective of 20,000 plus risk and compliance experts convene on a regular basis to discuss the regulatory and technological challenges in the industry and within their organisations. These forums ensure that all of their regulatory compliance and entity data management requirements are met adequately and satisfy regulatory scrutiny.

This singular approach to the market directly feeds Fenergo's regulatory and product roadmaps. Fenergo runs five types of forums which enable us to ensure that our clients' needs are closely aligned to our own regulatory and product roadmaps. These forums include our Client Advisory Board (CAB), Regulatory Forum, Technology Forum, User Experience (UX) Forum and Client Council.

The CAB is traditionally represented by a senior client representative. The CAB meets twice yearly, face-to-face, to ensure product and regulatory roadmaps are aligned and on-track. This forum also enables clients to explore new areas of research in terms of where the industry is progressing and how our solutions need to change to meet that change.

The second forum—the Regulatory Forum—meets on a monthly basis in a more informal setting (a mixture of conference calls and face-to-face meetings throughout the year) and is represented by a senior compliance professional from the client organisation.

These sessions ensure that the Fenergo regulatory compliance solution is on-track for all planned or visible regulations and enables the teams to explore potential new regulatory risks coming down the line.

As regulatory compliance is a non-competitive area for financial investors, they are free to share information and can collectively drive down the cost of compliance.

What is needed to launch a successful fintech start-up? What were the main challenges you faced and what opportunities did you see when first starting up?

You need to see that your core solution addresses a real need in the marketplace. You have to also ensure that you can replicate that first successful implementation project over and over again. Staffing, especially in the early days, is key and you also need to establish tight procedures across all areas, from design to quality assurance to implementation to consulting to day-to-day support and beyond. Early on, we put a learning platform in place—Fenergo University—that supports everything from subject matter expertise to project methodology.

This has been expanded into the Consulting Accreditation Programme that is rolled out internally and to our partner ecosystem. This directly addresses the real challenge that comes as the business grows—making sure that you can scale and deliver on a global basis.

What impact is Fenergo's technology having on financial institutions who are managing their compliance obligations and operational requirements?

Fenergo's client lifecycle management solution enables financial institutions to efficiently manage the end-to-end regulatory onboarding and entity data management processes. Fenergo's solutions cover anti-money laundering/know your customer and tax compliance, client onboarding and lifecycle management, and client and counterparty data management.

The intelligent rules-driven solution ensures compliance with multiple regulatory frameworks and supports the collection, centralisation, and sharing of client counterparty data and documentation across the institution. By expediting compliance and improving operational efficiencies, Fenergo's solutions can help onboard clients faster, improve time-to-revenue, and enhance the overall client experience.

What advice would you have on how to approach tier one banks with a new solution?

The financial institution itself needs to define the exact problems it is looking to solve. It also needs to identify each jurisdiction it is looking to convert and the data elements required for compliance. Also, from a technology perspective, it needs to identify all the touchpoints required in their environment. With large global banks, it is very common that there are several disparate systems that either contain customer data or need to be fed new customer records. It also needs to determine why they are undertaking the project—is it for cost reduction or increasing operational efficiency or speeding up time-to-revenue?

In many cases, it's a combination of these, but the objectives need to be clearly stated up-front. This is key in establishing expectations and driving project governance. We also advise banks to automate what they can first; addressing the easier challenges as the first past, allowing us to concentrate on the more larger tasks at hand, whether that is integration mapping to disparate downstream systems or data feeds and screening providers. It is, essentially, the 80-20 rule.

What trends are you currently seeing in financial regulation?

Over the past couple of years, we've seen banks, especially the large global banks, begin to embrace fintech—and regtech by association—as a part of not only their growth strategy but their own survival strategy as well. They've witnessed the changes that disruptive technologies have created and wanted to be part of that transformation. As far as trends in regulation, we see a global take-up in data privacy, either as something as well-defined as the General Data Protection Regulation in Europe or as a best practice in the US. Also, UBO rules have become a global trend, from Financial Crimes Enforcement Network in the US to various jurisdictions throughout the Asia-Pacific region. We have also been working with regulations on the buy-side as many of our clients have asset management lines of business and have asked us to help. While the regulatory demands are different, creating a standard platform for onboarding investors within a buy-side firm is essential. That is why we have rolled out our buy-side division, headed by a senior executive with extensive experience in that market, Kevin O'Neill.

What new technologies are you embracing at Fenergo?

Our innovation team is evaluating just about all the current disruptive technologies—artificial intelligence, robotics, machine learning, and even blockchain. The primary thing to keep in mind is to not embrace the technology for technology's sake but to ensure that there is a real value-add in deploying platforms that will automate redundant and manually-intensive processes and provide a solid return. Also, we are working closely with our clients in their digital transformation strategies as lifecycle management, compliance, and the end-customer experience are core elements in that conversion.

To what extent do you think AI/machine learning is going to change financial services in the next five to 10 years?

While there is no doubt a lot of hype surrounding disruptive technologies, enablers such as AI can automate the onboarding process by unlocking data either through the use of data hubs or the deployment of such technologies as Optical Character Recognition. Using those technologies, firms can gather and action insights from that data to support front office and sales efforts. In a similar way, blockchain has potential as an industry utility for gathering and sharing data throughout the lifecycle. However, it needs government and regulator support, as well as engagement by the banking community. For a truly better client experience, the interaction must be instant, proactive, automated, contextual, personalised, and intuitive. The industry has the means in place to create this environment. AST

Marc Murphy
Founder and CEO
Fenergo

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The CSDR solution

Kerril Burke, CEO of Meritsoft, discusses the company's CSDR solution and the mandatory buy-in process associated with CSD

Maddie Saghir reports

Will the mandatory buy-in process happen entirely without the intervention of the CSD?

Our understanding (at Meritsoft) is yes. The buy-in will not go through Central Securities Depository (CSD), but instead be direct obligations between the two trading counterparts. On occasion, the CSD may be involved indirectly in settling new instructions, but will not know or need to know they relate to a buy-in.

Therefore, any situation where a firm can't deliver what it has promised starts to unravel the inherent complexity of CSD Regulation (CSDR). For example, firms often sell a security in the hope that the price would fall in order to make profit.

However, what happens if the price moves in the other direction, and the firm gets caught on the wrong side of the trade?

If the price starts to move sharply, say 15 percent to 20 percent in the other direction, the firm may get caught on a short squeeze under the CSDR mandatory buy-ins.

This is a process where shares are forced to be repurchased if the seller does not deliver the securities in a timely manner.

Under CSDR buy-ins, what is deemed a liquid security is due to be settled after four days, while an illiquid asset needs to be settled after seven.

The trouble is, how does a firm determine what's liquid and illiquid?

In the non-exchange markets, there is likely to be a range of different judgements based on market consensus.

Who will then enforce the regulation and make sure buy-ins are executed if it's completely bilateral?

We are not sure who will enforce the regulation yet. However, I imagine it will be a process that would be subject to compliance review.

CSDR has been constructed in a way that means one side gains, and the other loses on a "fault" basis.

The problem is that there could be any number of factors as to why a trade fails to settle.

It may be something fairly straightforward such as one side failing to instruct an order to be placed at a certain time.

It could be something far more disconcerting, such as the buyer of the security not having enough cash.

Conversely, and this is the major headache facing banks, the seller may not actually have the security to sell.

Or, more likely, may not have enough of the security to fulfil the full delivery obligation and hence fail to deliver the full amount unless a partial settlement is agreed.

Would it be accurate to say that Meritsoft has built a CSDR solution that allows firms to calculate the cost of penalties so they can compare it to CSDs' calculations?

Yes, exactly. In basic terms, CSDR will require impacted European CSD's and International Central Securities Depository (ICSD) to apply financial fines for failing to complete transactions on the contractual settlement date and award these penalties to the other side of the transaction.

Instead of having a formal agreement between the buyer and seller, there will now be a legal obligation for one side to pay a penalty fee, while the other side receives cash if the trade is not settled on time where they are settling through an impacted CSD or ICSD.

These penalties are dependent on the type of instrument transacted, with different rates applying to equities than to corporate bonds, government bonds etc.

As you say, our product allows firms to calculate the cost of these penalties so they can compare their calculations to the CSD's calculations.

However, we also aim to facilitate our customers in managing the credits and charges and where appropriate allocating them to their underlying clients and then facilitating the onward collection of penalties.

We are also facilitating customers in managing any 'buy-in' exposure as a failing transaction approached the mandatory buy in dates for liquid and illiquid securities.

Finally, we plan to facilitate the calculation, central management, exchange and settlement of penalties via a central utility/hub.

Is Meritsoft's CSDR solution directed at custodians?

The solution is directed at custodian's, investment banks, brokers, fund managers and CSD's. But it is important to remember that one firm's penalty will be different to another firm's credit.

Until now, there has been no standard market practice for dealing with this issue, which is why market participants are trying and figure out a way to share information around buy-ins and penalties.

Our solution generates potential buy-in notifications and validations, which helps investment and custodian banks to overcome this issue. AST

Kerril Burke
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10 years on

Valentino Wotton of DTCC discusses the ways in which derivative markets have become more transparent since the financial crisis

What was the status of the credit derivatives markets during the financial crisis?

The 2008 global financial crisis (GFC) and the collapse of Lehman Brothers specifically, revealed that regulators and financial institutions were unable to gain an accurate view of market exposure among firms and hence the build-up of systemic risk. At the time of the GFC, DTCC's Trade Information Warehouse (TIW), which processes approximately 98 percent of all credit derivatives transactions, and the forerunner to DTCC's Global Trade Repository (GTR), proved to be a vital source of information to market participants and regulators.

In total, the TIW netted $285 billion in credit default swaps (CDS), in terms of gross nominal value, reducing them to an effective payment of $12 billion, less than the amount that was initially referenced.

What regulatory action was taken?

These events triggered a wave of reforms by G20 regulators aimed at increasing the transparency and resilience of global financial markets. It became clear to regulators that the key to understanding the soundness of the financial system would be their ability to quickly and consistently identify parties to financial transactions and obtain an accurate view of their global exposures.

These reforms, agreed at the G20 Pittsburgh Summit in 2009, included the trading of over-the-counter (OTC) derivatives contracts on exchanges or electronic trading platforms, clearing of OTC derivatives through central clearing counterparties (CCPs), and reporting of these trades to trade repositories.

What's the current state of trade reporting regulations across the world?

Great progress has been made with regards to the implementation of OTC derivatives trade reporting regulations across the world. Domestic compliance with the G20 reporting mandate has been established, a wide range of reporting requirements have been met, and new procedures and processes have been implemented to ensure that derivatives transactions across all asset classes can be reported in an accurate and timely manner.

However, jurisdictions have implemented regulations in very different ways. For example, the Commodity Futures Trading Commission (CFTC) has adopted a 'catch-all' approach to the data it has requested from market participants, while the European Securities and Markets Authority (ESMA) has been more prescriptive.

As a result, the current patchwork of reporting rules has lead to greater costs and increased complexity for firms. Furthermore, coverage has been inconsistent with regards to instrument types and market participants, implementation timelines have also varied hugely across jurisdictions.

Even more significant is the fact that prescribed data fields, terms and core elements are extremely diverse across jurisdictions which hampers the objective of data aggregation to monitor systemic risk. Lastly, the sharing of data held by trade repositories has been less than originally intended due to inconsistencies in the data collected and restrictions around legal and structural access.

What progress is being made to create reporting standards?

Standard-setting bodies (SSBs), trade associations, regulators, market participants and infrastructure providers continue to work together to establish data and processing standards for OTC derivatives, refine technical guidelines around data consistency and provide guidance around ways to harmonise reporting practices across jurisdictions.

The International Swaps and Derivatives Association recently launched its first digital-based version of the common domain model, a framework that aims to standardise derivatives-trading processes. Developed in collaboration with the Committee on Payments and Market Infrastructures and board of the International Organisation of Securities Commissions (CPMI-IOSCO), it formulates governance and technical guidance to underpin common data standards for derivatives reporting.

Collaboration among industry stakeholders has also led to the establishment of proposed guidelines for the consistent use and governance of the critical data elements (CDEs) needed to identify, process and report an OTC derivative transaction globally. CDEs include the legal entity identifier (LEI), unique product identifier (UPI) and unique trade identifier (UTI). LEIs are currently embedded in 14 G20 jurisdictions, even though adoption of UPIs and UTIs has been slower.

With regards to access to data, the industry has worked to remove barriers to data sharing. Further methods are being sought to share data more efficiently. Much of this impetus has originated from the efforts of the Financial Stability Board and has seen the US Congress repeal statutory indemnification requirements that had previously limited data exchange with third party trade repositories, while the European Commission proposed an amendment to the European Markets Infrastructure Regulation to provide direct access to data held in European trade repositories by third party jurisdictions with which equivalence has been agreed.

Where and how can DLT be applied in derivatives trade reporting that would have the most impact and which are best addressed through traditional means?

Advances in distributed ledger technology (DLT) have proven its ability to provide a single, immutable and commonly accessible record of transactions among multiple parties, thereby increasing transparency and reducing costs.

The industry is already discussing whether DLT can enable a shift to searchable databases and full regulatory access. DTCC is in the process of re-platforming its TIW for CDS transactions to a DLT system with the aim of enhancing efficiencies and generating new value-added services.

Credit derivatives are an ideal use case given they consist of standardised process flows and data models which allow the technology to be tested with appropriate and meaningful scale.

However, for DLT-based initiatives to be deployed successfully, it is essential that firms learn lessons from the past, ensuring the use of technology, governance and data standards to enable compatibility between ledgers and prevent any customisations that are made during development and implementation from compromising end objectives. AST

Valentino Wotton
Managing director
DTCC

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Movers and shakers at Broadridge and State Street

Broadridge Financial Solutions has revealed that Tim Gokey, the company's president and COO, will become the new CEO.

In addition, Rich Daly, the current CEO, has been appointed as the new executive chairman of the board, while Les Brun, Broadridge's independent chairman of the board, will become the lead independent director.

All moves will be effective 2 January 2019.

Gokey joined Broadridge in 2010 to lead the company's growth initiatives. He was named COO in 2012 and president in August last year.

Commenting on the appointment, Brun said: "On behalf of the board, I am pleased to announce that, as part of a long-planned and well-orchestrated succession process, Tim Gokey will become the next CEO of Broadridge."

He added: "Gokey has been instrumental in creating and executing strategies that have driven significant growth for Broadridge over the past eight years, and he is the right person to lead Broadridge into the future."

"I am also pleased that Rich Daly will remain actively involved as executive chairman. Daly founded our investor communications business and has been CEO since Broadridge became an independent company in 2007. We're fortunate to be able to continue to benefit from his deep knowledge and passion."

Daly also commented: "Gokey is one of the most committed and capable leaders in fintech. He has a proven track record and has been an invaluable partner as together we have transformed Broadridge into a leading global fintech company."

Gokey stated: "I am both humbled and excited to lead Broadridge on its next stage of growth."

He added: "I am also honoured to be succeeding Daly and delighted that he will remain at Broadridge as executive chairman. In his new role, Daly will lead the board and support several important regulatory initiatives for which he has enormous passion, including digital and retail investor engagement."

State Street Corporation has appointed Michele Hardeman as head of global markets for Asia-Pacific, effective immediately.

In her new role, Hardeman will be responsible for the strategic direction, sales, service and operations of the global markets business in the Asia-Pacific region.

Hardeman will report to Wai-Kwong Seck, CEO for Asia-Pacific at State Street, and Lou Maiuri, global head of global markets at State Street.

Hardeman, who has relocated to Hong Kong from Boston, previously served as head of foreign exchange sales for State Street global markets.

She joined State Street in 1998 and was head of FX sales for Australia prior to her move to Boston in 2011, where she took on the same position for the Americas. She became global head of FX sales in 2015.

Commenting on Hardeman's new role, Seck said: "Michele Hardeman has more than 20 years of experience in capital markets across Australia and the US. Her global experience and deep understanding of the challenges clients face will enhance our global markets capabilities in the region."

Hardeman added: "Investors are always challenged with the need to generate and preserve alpha in the current market environment, where interest rates are rising, volatility is increasing and many asset classes are getting expensive.

She said: "Our proprietary indicators and research can help clients in the Asia-Pacific region to navigate global markets to improve investment returns and minimise risk. I am excited to return to the Asia-Pacific region to lead State Street Global Markets as we grow and broaden our capabilities and client base in the region."

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