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R&M Survey

Although overall scores remained fairly flat, RBC I&TS stole the show while State Street and BNY Mellon made a comeback

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J.P. Morgan re-appointed as custodian by HESTA

J.P. Morgan has been re-appointed as custodian by HESTA, the $46 billion Australian superannuation fund.

For the next three years, J.P. Morgan will continue to provide HESTA's custody and fund services, marking a partnership of more than 20 years.

According to HESTA, J.P. Morgan was appointed after a comprehensive review that included investigating how the custodian could continue to support its ambitious five-year investment strategy.

Meanwhile, during this period of investment and growth, J.P. Morgan will continue to work closely with the fund to support its multi-year strategic agenda and deliver innovative solutions focused on enhancing member returns.

Nadia Schiavon, head of custody and fund Services, J.P. Morgan, Australia and New Zealand, commented: "HESTA is one of the industry's most respected and best-performing superannuation funds that continues to demonstrate strong growth."

"Our extensive market experience and proven track record ensures we are best-placed to partner with HESTA as it continues to build on its internal investment capacity and further develop its data strategy and investment analytics."

Bryan Gray, head of sales and client management, investor services, J.P. Morgan, Australia and New Zealand, said: "We are delighted HESTA has reappointed J.P. Morgan as its custodian, allowing us to continue our successful partnership."

"We understand the importance of delivering value for our clients and their members and we pride ourselves on providing first class customer service."

"In addition to our custodial services, through the capabilities of our broader bank, we can provide HESTA with access to market-leading research, global investment opportunities, significant technology investments, and thought leadership."

Debby Blakey, HESTA CEO, added: "Accessing leading global investment thinking and continuing to provide outstanding investment execution are crucial to delivering strong, long-term performance for members."

"We're implementing ambitious plans to build our internal investment capacity, and leveraging new collaborative opportunities with existing partners, like J.P. Morgan, underpins this strategy."

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SimCorp opens new Tokyo office

SimCorp is to open a new office in Tokyo, Japan to expand its Asia Pacific (APAC) operations.

The new office will offer SimCorp's full suite of integrated solutions to the country's asset management industry.

The expansion of SimCorp's APAC operations will support the transformation of fund operations in the Japanese market, at a time when investors are adopting more global, high yielding investment strategies.

According to SimCorp, its presence in the Japanese market will further strengthen the engagement with Japan's investment firms, to replace much of the outdated technology that dominates fund operations, including vital front office systems.

The new office opened on 11 October.

Klaus Holse, CEO of SimCorp, said: "Over the past two decades, SimCorp has significantly grown its footprint in APAC and the region remains important in our global expansion. Following several years of success and recognition received from clients who already rely on SimCorp Dimension in Japan, we believe now is the right time to enter this market."

He added: "Our entry into Japan is particularly significant, given that its asset management industry is expected to play a greater role in opening up the flow of funds to the global markets."

Oliver Johnson, managing director of SimCorp APAC, commented: "Domestic asset managers are increasingly looking to diversify their investment portfolios, especially into new and complex asset classes such as alternatives and derivatives, as they search for higher yield."

He added: "There has also been an increasing focus on cost reduction and a growing need to simplify the system landscape, from order management systems in the front office, through to back office accounting systems."

"We are excited to open this new office in Tokyo and, alongside our local partners, look forward to providing Japanese investment firms with the investment management solutions and full-service offerings, they are currently seeking."

Another good month for ASX

The Australia Stock Exchange (ASX) revealed that total capital raised was $8.1 billion in September 2018, up 1 percent from September 2017, the previous corresponding period (pcp).

The statistic was released as part of the ASX Group's Monthly Activity Report for this month.

The market report found average daily futures and options on futures volumes were up 4 percent on the pcp.

Average daily futures volume was also up 4 percent, but average daily options volume was down 18 percent on the pcp.

The notional value of over-the-counter interest rate derivative contracts centrally cleared was $305 billion, compared to $486 billion in the pcp.

However, single stock options average daily contracts traded in September were down 13 percent and index options average daily contracts traded were down 3 percent on the pcp.

The value of securities held in Austraclear was 5 percent higher than the pcp.

Concerning settlements, the value of securities held in Clearing House Electronic Sub-register System (CHESS) was 14 percent higher than the pcp.

ASX plans to replace CHESS with a distributed ledger technology (DLT) solution as the post-trade infrastructure for Australia's equity market.

The new system is estimated to go-live between Q4 2020 and Q1 2021.

At ASX's annual general meeting on 4 October, Rick Holliday-Smith, the chairman of ASX, said: "2018 was another strong year for ASX. The result reflects our balanced approach of investing in the integrity of our core activities and pursuing growth initiatives."

Clearstream completes acquisition of Swisscanto Funds Centre

Clearstream, Deutsche Börse's post-trade services provider, has completed the acquisition of Swisscanto Funds Centre (SFCL) from Zürcher Kantonalbank, following approval from British and Luxembourg regulatory authorities.

According to Clearstream, the addition of SFCL will further enhance Clearstream's service portfolio and support the company's global fund services strategy.

With the acquisition, the firm is expanding its offering in the fund space to include management of distribution contracts and data processing.

The future set-up of SFCL within Deutsche Börse Group will be designed to further develop and expand its business model, while SFCL's product offering for the Swiss funds market will be extended to meet the needs of Clearstream's international customer base.

Philippe Seyll, co-CEO of Clearstream Banking, said: "SFCL is a great match for Clearstream."

"This acquisition allows us to further broaden our suite of fund services to meet the current market needs—making us an even strong partner for our clients."

Mark O'Brien, CEO at SFCL, said: "In Clearstream, with its extensive expertise in the fund markets, we have found a compatible owner for the fund desk."

He added: "Becoming part of Deutsche Börse Group also gives us the opportunity to further develop our services within the context of Clearstream's wider business strategy. In doing so, we can continue to provide our proven services to our existing client base and to new customers in the future."

He added: "We don't measure our performance by the financial numbers alone. We also have important activities underway to strengthen our capabilities to the standards that shareholders and the regulators expect."

"This is an ongoing journey and we have more work to do before we achieve a state that will be acceptable to us. Over the past 12 months, ASX continued to embrace new technology to strengthen our foundations; we developed new products and services for our customers; and we further evolved our rules to keep the standards of our market high."

Dominic Stevens, CEO of ASX, commented: "This past year has been a solid one for ASX, not just financially but also in building a more resilient ASX and in beginning to see exciting opportunities opening up in the coming years."

He concluded: "The last two years have been extremely busy and productive for ASX. We are investing to realise new opportunities and to support the quality of our existing business. There is much to do to complete our stronger foundations and technology replacement programmes."

"However, we see this hard work as setting up ASX to benefit from the underlying growth in our industry, as well as take advantage of attractive growth opportunities we see unfolding in the 2020s."

Industry responds to IA's calls for focused approach on PRIIPS

The Investment Association (IA) has responded to the Financial Conduct Authority's (FCAs) call for input, concerning changes to the Packaged Retail Insurance-based Investment Products (PRIIPs) regulation.

"This subject is far from settled, and no easy solution is available at the moment," that's according to Andre Nogueira, director of Trading Analytics at ITG.

Responding to the FCA's call for input, IA has expressed concerns in regards

to the PRIIPs regulation, in particular, its current methodology for calculating transaction costs.

The IA said, though it is "wholly supportive of the principle behind PRIIPs, to provide savers and investors greater transparency and comparability across funds", it stated this principle is "being compromised by new performance scenarios and cost calculations that are potentially highly misleading".

The association has called for urgent action to address what it states are "failings in the design of PRIIPs, which also impact the UK defined contribution (DC) pensions market".

It also called for immediate action by the FCA to suspend and replace flawed calculation methodologies in the second Markets in Financial Instruments Directive (MiFID II) and DC workplace pension scheme disclosure across the UK, as well as delaying the extension of PRIIPs to the wider European fund universe until a rigorous, evidence-based solution is found.

Chris Cummings, chief executive of the IA, commented: "The FCA rightly called for evidence of investor detriment caused by the new rules. It has been delivered. The case is now proven and it's time for action. Regulators in the UK and across Europe should now engage in an open dialogue and collaborate with the industry and its customers to develop the best solutions for savers and investors."

Alex Dorfmann, director of product management at SIX, said: "Any possible change to the methodology of PRIIPs, including the upcoming regulation of European retail funds, reinforces the importance of adopting flexible compliance systems."

He added: "In order to ensure compliance with potential changes to PRIIPs, firms must provide vast amounts of data on client investment profiles and credit ratings as well as documents describing the nature and risk of financial instruments, including past performance and cost allocations. This is a long and costly process and the

SGSS utilises Transtrend's Luxembourg fund range

Societe Generale Securities Services is to utilise Transtrend's Luxembourg fund range for depositary and custody services under the Alternative Investment Fund Managers Directive.

Transtrend was set up in 1987 and specialises in active investment management through the development and application of systematic trading strategies.

According to SGSS, the acquisition will be further increasing its Dutch client base. Another key reason for the acquisition, SGSS explained, was because of the unrivalled capital protection and the proven wider relationship between the two firms over the years.

Irma Geluk, head of investment funds at Transtrend, said: "After a thorough selection process, we have selected SGSS as depositary of our Luxembourg fund."

She added: "SGSS has the expertise and capital position to offer depositary and custody services tailored to the needs and requirements of our fund and its investors."

Hazeltree selected by Argentière Capital

Argentière Capital, a Switzerland-based alternative investment manager, has implemented Hazeltree's treasury product suite.

According to Hazeltree, the decision will enhance Argentière's treasury function by reducing operational costs, improving margins through optimisation of liquidity, reducing operational risks and supporting continued growth with improved efficiencies.

Argentière Capital has implemented Hazetree Cash Manager to enable centralised aggregation and monitoring of Argentière's cash balances across brokers, banks, and other counterparties.

The programme also optimises cash usage and maximises yield while minimising currency risk; and, while enabling cash movements with a fully integrated wire solution.

Argentière Capital has also introduced Hazeltree Collateral Manager to streamline and aggregate Argentière's over-the-counter (OTC) collateral management activity.

The collateral manager also compares and reconciles internal, independently-valued OTC positions against each counterparty's view. Lastly, the investment manager has applied Hazeltree Margin Manager to its systems.

The Margin Manager tracks and manages Argentière's margin requirements on portfolios at each prime broker to minimise margin use and optimise allocation across all relationships.

Michael Quinlivan, Argentière Capital's COO and founding partner, said: "As a leading investment manager, we endeavour to continually enhance our ability to provide our investors with consistent returns, minimise our operational risks, and efficiently scale our business."

He added: "Hazeltree has helped our treasury management function deliver leading-edge capabilities to help further minimise operational risks and provide incremental yield."

Sameer Shalaby, president and CEO of Hazeltree, commented: "We are pleased to work with an industry-leading investment manager," he said. "We look forward to supporting Argentière's treasury needs as they continue their successful growth trajectory."

market should already be ensuring that they have access to all data and information necessary to adapt to any new or changing regulatory requirements."

Andre Nogueira, director of Trading Analytics at ITG, commented: "The calculation of the transaction costs for PRIIPs and UK DC pensions as it stands at the moment presents many challenges to investment firms and any effort to simplify and make them more meaningful is welcome."

He added: "One of the issues that have caused confusion in the industry is "negative costs", which can happen under the current methodology. The recommendation of the IA would go a long way towards reducing this, but the actual implementation could be complex because tying up individual executions to specific funds requires an allocation logic whose complexity is beyond most firms' capabilities."

State Street completes acquisition of Charles River

State Street has completed its acquisition of Charles River Systems.

According to State Street, it is anticipated that the combination will enable the industry's first-ever global interoperable platform by connecting the front, middle and back office with one provider.

This platform will accelerate investment workflows, provide advanced data aggregation, analytics and compliance tools, connect, and exchange data with other industry platforms and providers, State Street revealed.

Jay Hooley, chairman and CEO of State Street, said: "The combination of State Street and Charles River Development will create an open platform that will standardise data and systems across multiple asset classes and the entire investment lifecycle. We are delighted to welcome the more than 700 talented employees who join State Street today and look forward to working with the Charles River Development clients to support their current and future business needs."

Thomson Reuters completes deal with Blackstone

Thomson Reuters has completed its deal with Blackstone for Financial & Risk Business.

Thomson Reuters received approximately US $17 billion in gross cash proceeds at the closing.

The company plans to return an aggregate of US $10 billion of these proceeds to its shareholder.

The transaction closed at an interest of 55 percent in the Thomson Reuters' Financial & Risk business to private equity funds managed by Blackstone.

According to Thomson Reuters, an affiliate of GIC invested alongside Blackstone. The Financial and Risk business is now known as Refinitiv.

Thomson Reuters revealed that it also expects to utilise an estimated US $41 billion to cover transaction-related expenses including cash taxes, pension contributions, bond redemption costs and other fees and outflows related to the transaction.

Martin Brand, a senior managing director at Blackstone, said: "We are pleased to close this landmark partnership transaction with Thomson Reuters. Blackstone is excited to invest in Refinitiv to pursue a business plan focused on accelerating growth through innovation, in partnership with Refinitiv's customers."

Eli Nagler, a managing director at Blackstone, added: "We are excited to complete this transaction and look forward to supporting Refinitiv's growth and continued technology advancements in the years ahead."

David Craig, CEO of Refinitiv, commented: "This is a unique moment in our 160-year history as the Financial & Risk business of Thomson Reuters now steps forward as Refinitiv."

"We firmly believe that efficient, transparent and trusted markets are good for all and that Refinitiv's role is at the heart of this, providing access to clean and consistent data on a global scale."

He added: "With the backing of our investors, Refinitiv will continue to deliver the critical data, insights and open technology infrastructure that the market has come to expect while driving progress for our customers across trading, risk, banking, wealth and investment management. We look forward to exciting times ahead."

AFME: It's unlikely we will leave the EU with a deal

Over one-third of delegates that were asked at this year's Association for Financial Markets in Europe (AFME) Legal and Compliance conference thought it would be more than likely that the UK could leave the European Union without a deal.

Of those that were asked, 31 percent thought that there would be 41 to 60 percent chance that the British Prime Minister and the rest of the Conservative Government would not gain a deal from the EU, with the Chequers deal appearing to have been cast aside in recent weeks.

The question was put to the audience in a plenary panel discussion on Brexit.

The audience was also asked whether, in five years' time, they thought they would do more business within the EU or outside it after the Brexit implementation.

Some 42 percent predicted that their business would conduct more business outside of the EU.

Over the course of the discussion, some panellists were more sceptic than others, but most were unanimous that only so much could be foreseen until March 2019.

One concern for a panellist was the current question of central counterparties (CCPs) movement and recognition after Brexit.

A panellist said: "CCPs might end their membership [in the UK] and business might not be recreating them. The EU has to grant recognition to them."

Another panellist was concerned that where asset management is concerned, it is important to be able to run under a global model. He said: "Managers want the best access to the best centre of excellence" and he warned that under Brexit, "UK firms may not have this same model".

Another panellist suggested that no matter how well your business prepares for Brexit

between now and March 2019, there are some points of business that firms simply cannot start doing on their own. As such, another panellist mirrored that the industry as a whole needs to “monitor what is going to happen in particular within equities, derivatives and the stability of counterparties they use”. He added: “We watch this closely but we don’t know what is going to happen.”

One panellist said on the trading venue side, there are more concerns about whether people want to work with non-EU members. He said: “You see that around settlements, but it’s more fragmented case by case and you cannot draw a straightforward answer [in the context of Brexit], if you don’t have the full package of recognition.”

There was a general agreement across the panel that, as one panellist said: “a lot [of legislation for Brexit] will be shoved in to transitional period well in to 2020”, while another warned there will be a “blinder Brexit than people would like”.

However, there were some positives to note, one panellist said the “UK has shown hands-on how it plans to deal with no deal situations.”

He added that there has been “an output of many thousands of hours [of manpower] surrounding union withdrawal and I see regulatory implementation shaping.”

“The EU treating us [the UK] as a third country is pretty clear, and there have been significant accommodations to negotiate with that. I think the broad direction is clear,” he added.

From a buy-side perspective, another said that he sees enhanced equivalence moving forward. He said: “I am encouraged we [the UK and EU] are heading in right direction ending up with enhanced equivalence, hopefully, there will be more divergence where and when you serve your clients.”

He concluded: “There has been a huge movement in two years [since the referendum]. There has been an increase in cooperation agreements and MoUs from regulators. So far it is very encouraging.”

SS&C acquires Eze Software

SS&C Technologies Holdings, a global provider of financial services software and software-enabled services, has acquired Eze Software, a global provider of investment management solutions.

Under the terms of the agreement, as first announced on 31 July 2018, SS&C purchased Eze Software in an all-cash transaction of $1.45 billion.

As a result of the acquisition, SS&C adds 1,050 employees in 15 offices and more than 2,500 clients across five continents.

Eze Software serves asset managers, including a mix of hedge fund, long-only asset manager, multi-manager and asset owner clients.

Bill Stone, chairman and CEO of SS&C Technologies, said: “We are pleased to welcome Eze clients and employees.”

“The addition of Eze aligns with SS&C’s innovation strategy to transform investment operations. SS&C gives Eze the global scale and services infrastructure to accelerate its already impressive momentum.”

Jeff Shoreman, CEO and president of Eze Software, said: “With the combined power of our complementary offerings, a strong commitment to customer service and SS&C’s leadership in the alternatives space, we are confident that together we can deliver even better technology and service.”

Sibos hits Sydney

Sibos, the biggest financial services conference in the world, hits Sydney for its 40th year. Find out what to expect from this year's event

Jenna Lomax reports

Sibos hits the land of OZ for its 40th year this October. Not too far from landmarks such as Bondi Beach and the Sydney Opera House, the conference will be held at the city's International Convention Centre. It'll be the third time the Australian capital has held Sibos, following successful events in 1997 and 2006. But what will the main discussions topics be this year, bearing in mind the theme, 'Enabling the Digital Economy'?

How has the industry changed since last year's Sibos in Toronto, and what are firms hoping to gain from the event?

Location, location, location

As for the chosen location of Sydney, Mike West, vice president of Europe, Middle East and Africa (EMEA), marketing at Broadridge, says the city is "an excellent location for this year's Sibos".

He adds, the financial beating heart of Australia, the Australian Stock Exchange (ASX), "is a world leader in raising capital. It has also become the first exchange to announce the launch of a distributed ledger technology-enabled (DLT) settlement platform."

The new system is estimated to go-live between Q4 2020 and Q1 2021 and shows just one aspect of the country's move toward expanding and evolving its digital asset management offering.

Niall Twomey, chief technology officer at Fenergo, says: "[Sydney] is a large financial hub so many attendees will have multiple reasons for making the trip beyond Sibos, it has some of the most progressive financial institutions whose experiences will be important to share. It is a great location if people have some spare time to explore beyond the Sibos conference."

Nathan Gee, marketing director at SmartStream, states: "Sydney's always been at the forefront of financial services, both globally and in the Asia sector, and so it's great that Sibos is returning there."

He adds: "It's an ideal location as Sibos turns 40—perhaps we'll get treated to a firework display in the harbour!"

We're going through changes

But what has changed since last year's event and what has stayed much the same? What are the industry's current opportunities and challenges? And what hurdles have sprung up since SIBOS 2017? As Jerry Norton, head of strategy for CGI's UK financial services, articulates: "We are on a digitalisation journey, with exponential growth and the rate of acceleration is continuing to increase."

He adds: "The spread of real-time payments, the rise of open banking, FinTech startups, the rise in blockchain proof of concept, robotic automation and data analysis—these will be the top industry concerns this year.

West says: "While many of the overriding themes from last year's Sibos remain current— innovation, regulatory and market change, geopolitical shifts, data security—a year has passed and the industry continues to move forward."

He adds: "Regulatory and market change is a constant, but the specifics are changing–the Central Securities Depositories Regulation has a higher profile, while the Securities Financing Transactions Regulation (SFTR) is getting more attention."

As Teresa Parker, president of Northern Trust EMEA, reiterates: "At a regulatory level, while the dust is gradually settling after the second Markets in Financial Instruments Directive (MiFID II), securities lending desks are now getting to grips with SFTR in preparation for the 2020 deadline—new reporting obligations, automating processes and consolidating disparate data sets."

Aside from regulatory deliberation, another over-riding product of discussion will be technology, the advancement of artificial intelligence (AI) and machine learning. Delegates predict it will seep into other discussions that may not on the surface seem directly connected to technology changes.

As West states: "Technology transformation will be at the centre of many discussions, ranging from business model transformation to the latest on key disruptive technologies; from preparations for technology-enabled regulatory solutions to cybersecurity, data protection and data integrity."

And of course, a lot of technology innovation will underpin and aid firms who are still coming to grips with impending regulatory compliance. Gee discusses that within Australia, in particular, where there is a tighter regulatory environment, "digitisation has gained more traction due to the cost benefits it presents."

He adds: "Digitising, reducing costs on manual effort and various processing, has forced banks to actually revisit to see how much they can automate moving forward. And we have a big role to play in the journey of transformation."

For asset servicing, specifically, Twomey indicates: "I think there has been a shift from focusing on just digitising the front office and customer omni channels to digitising the middle and back office. The recognition that while digitisation budgets focusing on the front office have improved initial customer experiences the middle and back office area where there is even more potential value to be gained."

To SIBOS and beyond

Of course, conferences are an excellent opportunity to discuss, debate and network.

Twomey says: "People want to go to Sibos to be informed, learn new ideas but also validate their own direction and we are often the same. Being a vendor we want to engage with the community, our thought leadership comes from constant community engagement and feedback and the event accelerates that."

West says: "In addition to learning and sharing new insights into market and technology trends, we look forward to enriching our relationships with clients and partners across all business segments and regions present at Sibos, as well as extending our network through the opportunity afforded through this unique gathering of senior delegates."

He adds: "It's always a tremendous opportunity to capture the state of the industry and get a first-hand account of the drivers and challenges that firms are facing across all regions of the world."

And looking beyond the conference, Parker states: "Technology and regulatory changes will continue to influence the asset servicing industry over the next 12 months. A big focus for us in 2019 will be the application of this technology elsewhere in our asset servicing business and continued investment in emerging technologies to drive efficiency and deliver enhanced levels of transparency to clients."

West says: "Investment communications and the drive for higher levels of corporate governance will continue to be an area of priority, in response to investors seeking increased transparency and more of a say in how the companies in their portfolios are run."

Parker mentions another point of emphasis for 2019, and beyond, will be maintaining a diverse and inclusive culture within financial services. She concludes: "I think the industry as a whole has the responsibility to continue its efforts to achieve greater equality and empowerment throughout our organisations." AST

A whole lot of Brexit goin' on

As delegates gathered for the second AFME Legal and Compliance Conference, most panel discussions were underpinned by matters of MiFID II and the looming March 2019 deadline of Brexit

Jenna Lomax reports

Over one-third of delegates that were asked at this year's Association for Financial Markets in Europe (AFME) Legal and Compliance, conference thought it would be more than likely that the UK could leave the EU without a deal. Of those that were asked, 31 percent thought there would be 41 to 60 percent chance that the British Prime Minister and the rest of the Conservative Government would not gain a deal from the EU, with the Chequers deal appearing to have been cast aside in recent weeks. The question was put to the audience in a plenary panel discussion on Brexit. The audience was also asked whether, in five years' time, they thought they would do more business within the EU or outside it after the Brexit implementation. Some 42 percent predicted that their business would conduct more business outside of the EU.

Over the course of the discussion, some panellists were more sceptic than others, but most were unanimous that only so much could be foreseen until March 2019. One panellist was concerned that where asset management is concerned, it is important to be able to run under a global model.

He said: "Managers want the best access to the best centre of excellence" and he warned that under Brexit, "UK firms may not have this same model."

Another panellist suggested that no matter how well your business prepares for Brexit between now and March 2019, there are some points of business that firms simply cannot start doing on their own.

As such, another panellist mirrored that the industry as a whole needs to "monitor what is going to happen in particular within equities, derivatives and the stability of counterparties they use".

He added: "We watch this closely but we don't know what is going to happen."

There was a general agreement across the panel that, as one panellist said: "a lot [of legislation for Brexit] will be shoved into a transitional period well in to 2020", while another warned there will be a "blinder Brexit than people would like". However, there were some positives to note. One panellist said the "UK has shown hands-on how it plans to deal with no deal situations".

He also said that there has been "an output of many thousands of hours [of manpower] surrounding union withdrawal and I see regulatory implementation shaping. The EU treating us [the UK] as a third country is pretty clear, and there have been significant accommodations to negotiate with that. I think the broad direction is clear", he added. From a buy-side perspective, another said that he sees enhanced equivalence moving forward.

He said: "I am encouraged we [the UK and EU] are heading in the right direction ending up with enhanced equivalence. Hopefully, there will be more divergence where and when you serve your clients."

He concluded: "There has been a huge movement in two years [since the referendum]. There has been an increase in cooperation agreements and memorandum of understandings from regulators. So far it is very encouraging."

Prior to that, was a discussion by a representative of the Autorité des marchés financiers (AMF), who discussed why some legal and regulatory elements of the second Markets in Financial Instruments Directive (MiFID II) may have to be changed after the UK leaves the European Union in March 2019. In his keynote address, 'MiFID II implementation and experiences from a supervisory authority perspective', he said "the time is right to get it right" in terms of changing MiFID II legislation to comply with Brexit.

The speaker explained: "Data is at the very core of MiFID II implementation, in that large parts of participants have to work with it. Financial instruments are run by the European Securities and Markets Authority (ESMA) and there are approximately 1.3 million legal entity identifiers (LEIs) issued worldwide. ESMA and national competent authorities (NCAs) are constantly monitoring the quality of data we use very closely but there are still difficulties. It is obvious there is room for improvement and a common interest to improvements for NCAs and our businesses."

He continued: "Legislative fixtures will need to be implemented for inefficiencies or redrafts, some of which may stem from Brexit's consequences."

This is of extreme importance he said as of the five million transaction reports carried out across Europe, 72 percent are from the UK to the EU, compared to 11 percent sent from the EU to the UK. He said that concerning Brexit there "needs to be a MoU signed by all EU27 and the UK's Financial Conduct Authority in order to cover all services legislation in delegation when putting Brexit contingency plans in place".

In the following question and answer panel, 'Experiences of implementing MiFID II and how this may influence Brexit', the AMF representative was asked if MiFID II had met its objective. Though he said there was no need to "rapidly change" the MiFID legislation, he added "there are quick fixes where elements could be adapted. That would be necessary even if the UK were staying in the EU. But there are elements that need to be changed that derive from the fact that the UK is leaving."

The keynote speaker was asked whether ESMA should become a 'super' regulator, or if it would be more beneficial for the industry to have a 'super NCA'.

He replied: "Some NCAs are very systemic, others are less systemic, but that is not the case for other major market infrastructures. [Industry firms] need to be in local relationships with [their] local ecosystem. ESMA should be given the tools to achieve more convergence and centralised supervision, but there's a long way to go."

As the discussion came to an end, he was asked: if there was another crash, similar to the Lehman Crisis in 2008, would the market recover? In answer, he said: "The industry is ready to react ready and swiftly, but collaboration is key, we don't know where [another possible crash] will come from. Stress tests are useful but never cover all responsibilities."

In the afternoon, discussions moved on to technology and whether artificial intelligence (AI), in particular, is harder to police than humans. The discussion, split the audience right down the middle, with 50 percent saying "yes" and "no".

The question was asked in a panel named 'Overseeing AI and algo-trading'. The crux of the conversation leaned toward taking machine learning away from the pilot space and more into everyday utilisation while making sure the next generation knows, and has access to, the tools to police it. One panellist said: "The debate is about transparency, black box deception, all the way to deployment, to ensure good governance around AI."

The panellist discussed that this level of governance is, unfortunately, really only known by a "very niche number of individuals" who actually know what is going on.

They added: "A lot of people [in financial services] feel threatened by AI, but it is important to embrace it and look at business models—really carve out where humans are needed. And then question at what point does it make sense [in your business model] to have a human there? And where does it make sense to use machines?"

The moderator also asked the audience if they thought regulators had moved quickly enough to address the need to supervise AI. The majority, 73 percent, said "no", while 27 percent said "yes". In slight defence of regulators, one panellist said: "[Recently] there has been a lot more expertise in AI with regulators but it's moving so fast." She questioned: "How does anyone keep up?"

Another panellist stated legal and regulatory frameworks lag behind in other industries, not just asset management—he used Uber and the music industry as examples where legal and regulatory frameworks have needed tweaking in recent years. He added this is a global issue because it is the "nature of the technology we're dealing with".

Another panellist concluded: "Technology is moving so fast, having a good use of technology data can give you an effective edge."

In a speech after this discussion, a representative from the International Organization of Securities Commissions also reiterated the concerns of AI and the issues around machine learning changing at such a fast speed. He questioned: should we be putting in roadblocks or intervention, concerning AI? And in what places within the financial industry?

In a concluding point, he said to the audience: "I've probably left you today with more questions than answers, but it's something we need to go away and think about." AST

From Canada with funds

Linedata Gravitas' Jonathan Shapiro discusses the future of Canadian funds, the 81-102 Liquid Alternative Fund proposal and what it will mean for the future of Canada's asset servicing industry

Jenna Lomax reports

What does your role as senior director of business development at Linedata Gravitas involve?

I am currently co-head of the Gravitas business line, which combines services and software for the investment management community. My core focus is on growing revenue by new client acquisition and organic growth within our existing customer base.

Why will the National Instrument 81-102 (NI 81-102) Liquid Alternative Fund Proposal bring possible disruption to the Canadian fund industry?

In 2008, liquid alternatives began to take off in the US, and you could certainly discern the level of disruption in the fund industry. Post the 2008 financial crisis, the US had about $83 billion under management, and now they have $218 billion, so it's clearly a growing market that has yet to hit its limit. There's a similar appetite in Canada. The retail investor is looking at ways to get high-quality asset management without the high fees, and NI 81-102 gives fund firms the opportunity to dip their toes into the liquid alternatives market and offer the investment styles and products that have already proved successful in the US.

Fundamentally, as managers are trading and looking at positions and analysts are valuing companies, there's going to be a change in how they're going to adjust positions in a more liquid strategy. The operations will be more robust and will need tools to reconcile on T+1 and be efficient in how they're running their infrastructure.

What type of technology is needed to support this? And how will firms have to alter their operations running up to and after the implementation?

They're going to need to put in place different types of systems that are going to make the systems run smoothly, such as a robust order management system that will have capabilities intraday so the firms have a good view on their positions on trade day. Reconciliation will also be important for all counterparties since they'll be operating on a T+1 basis. The technology will have to be much more fluid and agile to make sure they're trading effectively and profitably. Partnerships will also likely be leaned on in order to beef up firms' technology infrastructures. There are tech firms, like Linedata, that have the technology suited to the traditional and alternative investment manager space, so they can build a custom solution. NI 81-102 could push managers to look for a new system and other vendors out there, which could lead to disruption, but could also grow existing relationships.

What will this mean for asset servicing in Canada?

In Canada, you're dealing with a lot of large players that have been used to doing things their own way for years. Historically, there hasn't been a rush to do something new, but since there hasn't been a lot of volatility in the market, firms are hopping on the opportunity to do something different as regulations like NI 81-102 come to light. That way, when market disruption comes down the line, there can be an understanding of how to protect assets through a market downturn. There will also be a call for new talent in asset servicing. Large institutional asset management firms in Canada have been taking a look at the new market environment over the past few years and think it's a good way to hire new talent and see how they would employ their investing strategy and how that would translate into new investors going forward.

Do you think it provides more opportunity or challenge to the industry?

Essentially, we've talked to the market and the buzz we're getting is quite positive. We've seen that there are some early adopters who are taking the time to build these new strategies out since it's the best way to capture the investment dollars that they wouldn't be able to capture normally.

Firms like Mackenzie Investments, which filed for an exemption to launch the first mutual fund utilising alternative strategies in May, are taking this lead, and it's an intelligent move since they'll get the first crack at the market. The technology that will be necessary for this new infrastructure will also help break down fees, and my talks with clients have shown that there's a particular demand for lower fees in Canada. With a dynamic infrastructure that involves more manpower, you want to get more functionality out of the tech, which is where you get the cost savings. Although there will be an initial spend to hire investing talent and change the infrastructure, there are certainly cost savings in the long term.

Canada is primed in an optimal position for these firms to do something dynamic—it's not every day that this could happen. AST


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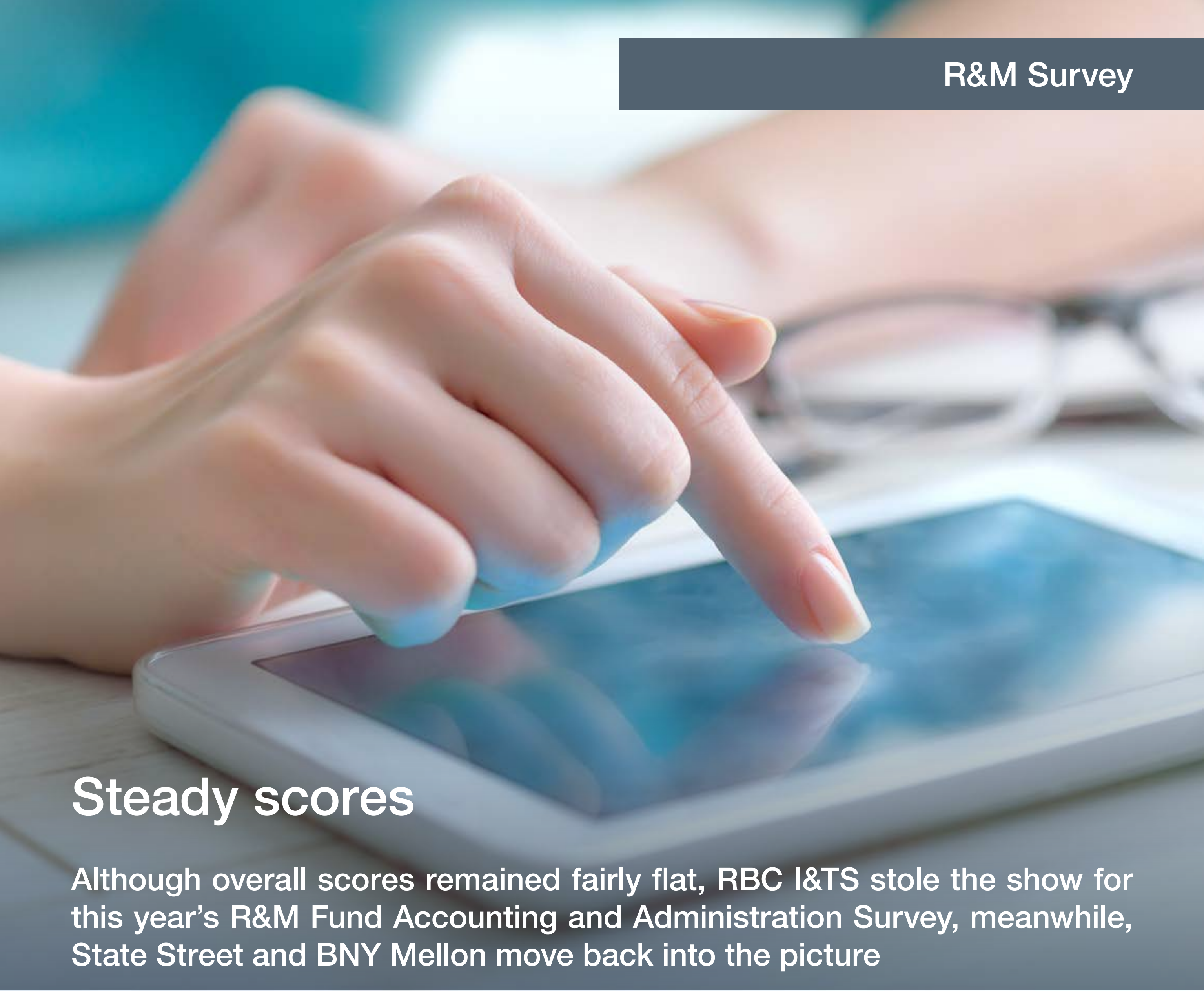


Steady scores

Although overall scores remained fairly flat, RBC I&TS stole the show for this year's R&M Fund Accounting and Administration Survey, meanwhile, State Street and BNY Mellon move back into the picture

Becky Butcher reports

This year's R&M Fund Accounting and Administration Survey was conducted between June and August. Of those who were contacted, 85 fund managers responded on a total of eleven service providers.

For inclusion in the tables, providers had to meet a minimum number of responses and scores are out of a maximum of seven.

The survey questionnaire asked a total of 37 questions broken down into six categories covering core fund accounting and administration, fund valuation, communication, approach and flexibility, quality of personnel and value for money.

Respondents came from the UK, the US, Canada, Ireland, mainland Europe, Saudi Arabia, Australia and South Korea.

This year's survey found that overall scores remained fairly flat. However, it did see State Street and BNY Mellon move back on the scene. The average score remained steady despite the fact that scores for other individual providers declined.

Commenting on State Street, one client said: "Following a number of challenging years State Street in London has provided a consistently good level of service for some time."

For the overall table, RBC held on to the top spot with 6.35, increasing its score by 0.14 from last year.

One Luxembourg-based manager said: "We have worked with RBC I&TS for over 20 years and we appreciate especially the excellent and sound service provided in the fund administration."

State Street took the second spot with 6.11 after missing out on the top seven places last year, knocking off HSBC Securities Services from its position last year. However, HSBC did secure third place with a score of 5.87 despite dropping 0.19 from 6.06 in 2017.

Commenting on HSBC, A UK-based manager said: “HSBC Securities Services remain a key strategic business partner of our outsourced fund administration and back offices services delivered to a consistently high standard which enables us to concentrate on our core business of asset management.”

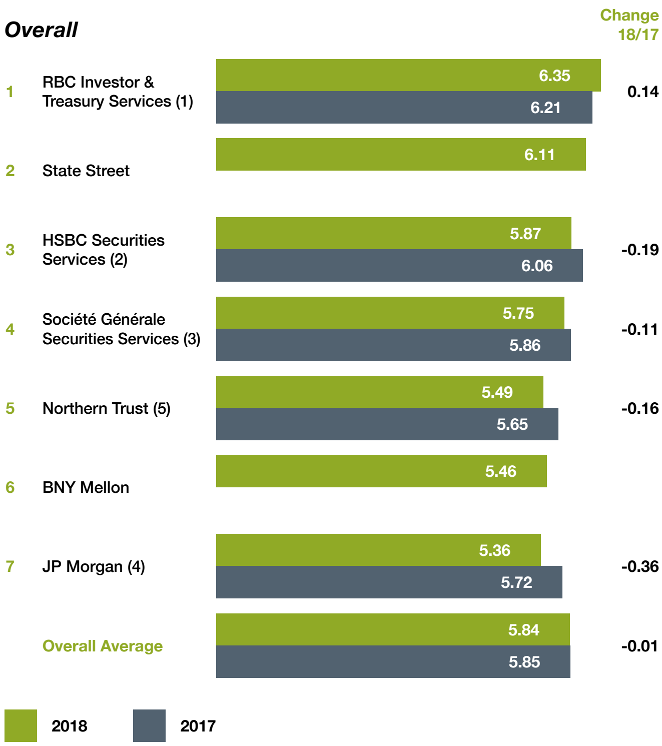
However, another client said: “Some difficulties during the onboarding, but after that, the quality of the service increased constantly.”

Also dropping a place in overall scoring was Société Générale Securities Services, who moved from third into fourth. Société Générale Securities Services scored 5.75, a 0.11 drop on its previous result.

Northern Trust remained in fifth with 5.49, despite dropping 0.16 from 2017’s figure, while BNY Mellon jumped back into the top seven in sixth place with 5.46.

A BNY Mellon clients explained: “We are seeing a marked improvement in service since BNY Mellon has progressed its ‘transformation’ project to concentrate on more institutional type clients. BNY Mellon’s new attitude towards working collaboratively with their client base is particularly welcome.”

Finally, J.P. Morgan, who suffered a 0.36 drop from its 5.72 score last year when the bank sat fourth in the table.



In the UK, State Street took back its first place position from HSBC with a score of 6.11, a 0.25 jump from last year. HSBC suffered the biggest loss dropping to 5.67 from its 2017 score of 6.10.

BNP Paribas saw its score improve pushing their position up from fifth to third with an increase of 0.32 on last year’s 5.30 score.

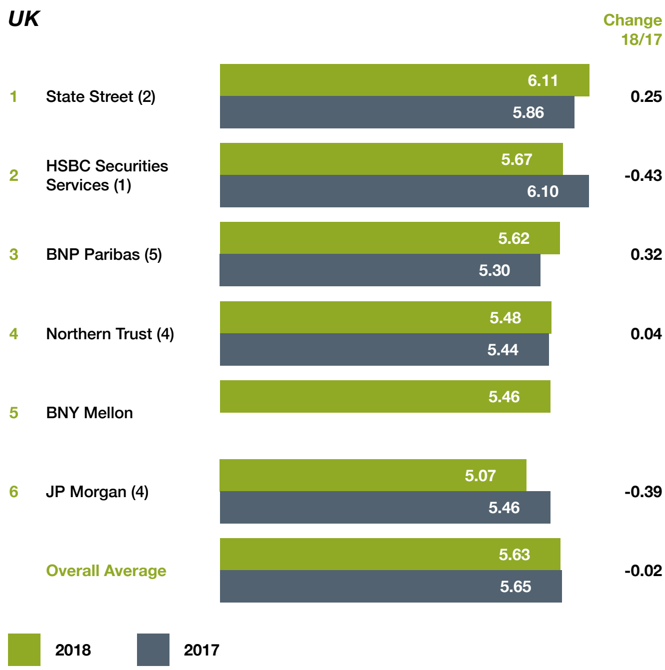
One of BNP Paribas’s client said: “Individuals carrying out the day to day work are extremely responsive and take ownership. They have frequently worked long hours at busy periods and work fully as a team with the fund managers.”

Northern Trust remained in fourth place but did see a 0.04 increase in its score from last year. For Northern Trust, the feedback was more concerned with client service. The client said: “Relationship management is one of Northern Trust’s strong points. All relationship staff are knowledgeable and helpful. Operations staff can sometimes be difficult to contact as group phone numbers are used and individual numbers are not specified on emails.”

However, another said: “We are very pleased with Northern Trust’s fund administration service. Their strong point is relationship management and they are very easy to work with.”

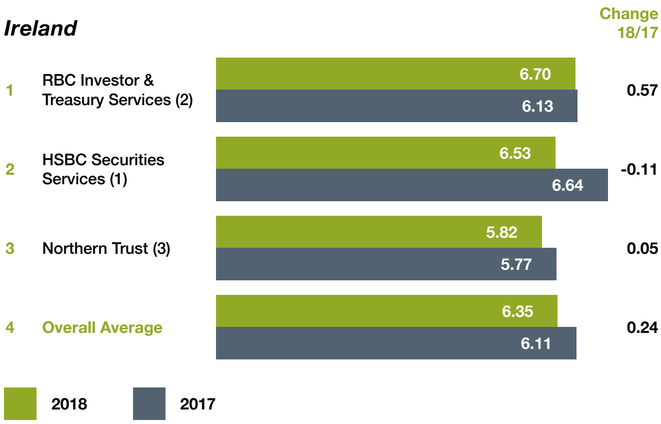
BNY Mellon appeared back in the UK top six this year jumping to fifth position with a score of 5.46, while J.P. Morgan dropped from its third position last year to sixth scoring 5.07, a 0.39 drop from last year’s score.

One J.P. Morgan client suggested they received a “good overall service”, while another noted they have had “some experience of slow responses and resolution of errors”.



HSBC Securities Services was also pushed off the top of the leaderboard in Ireland.

The bank dropped 11 points of its 2017 score of 6.64. RBC I&TS took the top spot with a 0.57 increase on its previous score, totalling 6.70. The only other bank to qualify was Northern Trust, who remained in third place, despite increasing its score by 0.05.

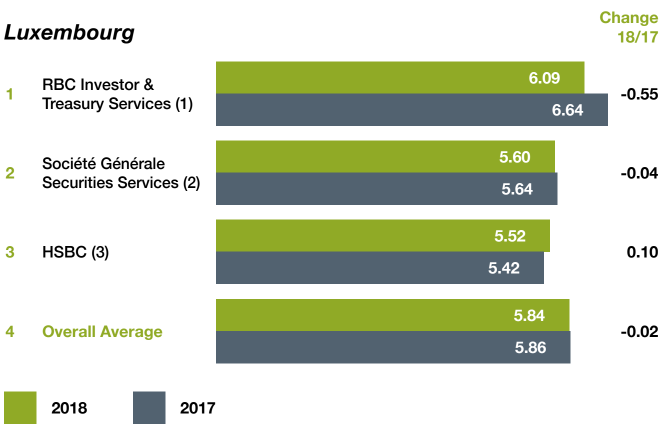


In Luxembourg, RBC I&TS also took the top spot, despite its score dropping by 0.55 to 6.09.

Commenting on RBC I&TS, one fund manager based in mainland Europe, said: "System enhancements are required to provide a better quality of service levels (reporting, email order facility, SFTP improvements).

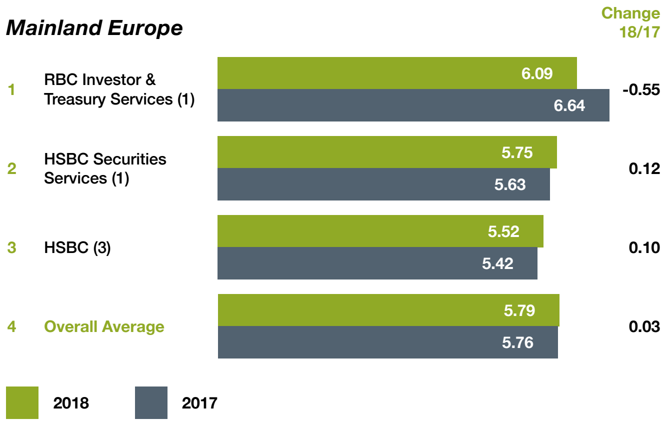
Overall, quality is lower than in previous years, mainly by the disappointing quality of shareholders services and incidents. We received more complaints than previously from our investors on shareholder service (reporting, responsiveness, bureaucracy)."

Société Générale Securities Services also experienced a drop of 0.04 but remained in second position, while HSBC increased its score by 0.10 but remained in third position.



RBC I&TS also dominated mainland Europe, again despite a drop of 0.55 from its 2017 score of 6.64, while Société Générale Securities Services also remained in second place with a increase of 0.12, totalling 5.75.

Finally, HSBC saw a 0.10 increase on its score from last year taking the bank to 5.52.



In addition to the UK, Luxembourg and Ireland, Société Générale demonstrated the broad geographic reach of its service by being the only provider to qualify in France, Italy and Germany.

Société Générale scored 5.89 in France, 5.30 in Italy and 6.16 in Germany.

One German respondent on Société Générale, said: "A service provider in the same country and with the same language is definitely a big advantage."

Another added: "A service provider in the same country and with the same language is definitely a big advantage."

France	2018
Société Générale Securities Services	5.89

Italy	2018
Société Générale Securities Services	5.30

Germany	2018
Société Générale Securities Services	6.16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Comings and goings at Vela, Broadridge, ASX and more

Scott Visconti has been appointed as CTO of Vela, a provider of trading and market access technology for global multi-asset electronic trading.

In his new role, Visconti will be responsible for technology strategy and will support growth and the next stage of development of Vela's product stack, services, and processes. Based in New York, Visconti will report to CEO, Jennifer Nayar.

Prior to Vela, Visconti co-founded MarketOpen and during his tenure at ICE/ New York Stock Exchange (NYSE), Visconti served as vice president and head of NYSE Group Technology.

Visconti has also held senior roles at BNP Paribas, Credit Suisse and S&P Comstock.

Nayar commented: "We are delighted that Scott Visconti has joined Vela. Having Visconti as part of our executive team underpins our focus on hiring high-calibre leaders to deliver quality technology solutions for our global clients."

She added: "Visconti is a highly-accomplished technology executive with a wealth of experience across multiple asset classes, a keen interest in mentoring and motivating cross-functional teams, and a determination to deliver new products and services. He is a well-known and respected technologist in our industry and brings deep knowledge and expertise in areas including trading technology, risk management, and data analytics."

Commenting on his new role, Visconti said: "Vela has a unique position in the marketplace and a reputation as being agile and forward thinking. I am pleased to be joining the company at this very exciting time and I look forward to working with the team to leverage the latest innovations in technology to deliver cutting-edge performance, features and reliability."

Broadridge Financial Solutions has appointed Les Turner as vice president of investor communication solutions, international.

Turner will work closely with product, sales and account management teams within Broadridge's global proxy business.

In his new role, Turner will also provide support to Broadridge's client base to navigate regulatory and market change, such as the amended Shareholder Rights Directive in Europe, and national codes for corporate governance and investor stewardship.

Based in London, he will report to Demi Derem, general manager of investor communication solutions, international.

Turner brings with him more than 30 years of industry experience and joins from ISS, where he served as head of global proxy distribution.

Turner also held senior leadership roles at Deutsche Bank and has knowledge and expertise in asset servicing, corporate actions and global proxy business.

The Australian Securities Exchange Limited (ASX) has appointed Gillian Larkins as CFO, effective 29 October.

Most recently, Larkins was CFO of ASX-listed Perpetual Limited where her role encompassed finance, technology, legal, compliance, and risk responsibilities.

Larkins' appoint follows a comprehensive global search. She is replacing Ramy Aziz as CFO, who announced his intention to retire after more than 18 years with the group in June 2018.

Prior to her CFO appointment, Larkins led the company's transformation programme. Larkins has also held roles as CFO of Westpac's Institutional Bank and CFO for Citigroup's operations in Australia and New Zealand.

Dominic Stevens, ASX managing director and CEO, commented: "We look forward to welcoming Larkins to ASX. She brings a strong track record of financial and strategic business leadership."

He added: "Her skills and experience will be invaluable as we complete our Stronger Foundations programme and pursue new and adjacent revenue opportunities."

BNY Mellon has named Sabet Elias in a new role as chief technology officer (CTO), effective today.

Based in New York, Elias will join the firm's technology executive committee, and he will report to Bridget Engle, senior executive vice president and CIO. Elias has more than 20 years of experience in building and operating global high-performance, mission-critical technology environments.

Most recently, Elias served as sales and trading CTO for global banking and markets at Bank of America, where he was responsible for strategy, architecture and a cross-asset platform.

Before that, Elias was the CTO responsible for infrastructure across multiple lines of business with accountability for technology architecture, design, build and operations.

Prior to Bank of America, Elias was the CTO and global head of electronic trading infrastructure at Citigroup, and he has also held the role of CTO at Lehman Brothers.

Engle commented: "Elias is a talented technologist and brings to the bank a solid track record of building platforms."

"As we continue to shape our global technology agenda and improve resiliency, we need to add leadership talent with deep experience in technology to take us to the next level."

"Elias has years of experience in financial services, plus deep management and technical expertise to help us navigate the future."

State Street has appointed Matteo Andreetto as senior managing director and head of SPDR exchange-traded funds (ETF) business for Europe, the Middle East and Africa (EMEA), effective immediately.

Based in London, Andreetto will report to Rory Tobin, global head of State Street Global Advisors' ETF business strategy in EMEA.

In his new role, Andreetto will lead the ETF sales teams and will work with colleagues across product development, marketing, capital markets, and infrastructure to deliver ETF products and services that meet client aspirations.

Most recently, Andreetto was CEO and head of Index Services at STOXX, part of Deutsche Borse Group.

Prior to this, Andreetto held senior positions in capital markets distribution leadership at firms including Unicredit, Bank of America, Merrill Lynch, and Goldman Sachs.

He continued: "We believe the European ETF market is in the early stages of developing its growth potential, with various secular trends providing a supportive backdrop for continued growth."

"These trends include a greater focus on value for money in investing, increased requirements for transparency and liquidity in investment products, increased use of fixed income ETFs in portfolio management and a migration to fee-based advisory models in wealth management."

"Building on a proven track record in leading and growing distribution teams in Europe, Andreetto brings a number of capabilities we believe are essential for this next era of SPDR in EMEA."

Andreetto added: "25 years into their existence, ETFs have shifted the way investors think about how they invest."

"ETFs have become key building blocks when making asset allocation decisions and have enabled advisors to focus on investors outcomes with greater efficiency."

Got a people move we should cover?
Contact us at: beckybutcher@blackknightmedialtd.com