asset servicing times

The primary source of global asset servicing news and analysis

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Technology Innovation

Michael Tae of Broadridge discusses how technology transformation is dramatically altering how firms operate

ICMA report: MiFID II benefits yet to be had

European bond markets are still waiting to experience the benefits of the second Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR), a report from the International Capital Market Association (ICMA) found.

The report highlighted that while the European bond markets continue to function, MiFID II/MiFIR is yet to deliver on its objectives of improved investor protection, greater transparency, and a more competitive landscape.

ICMA noted one of the main objectives of MiFID II/MiFIR was to encourage more trading on regulated venues rather than in the over-the-counter market, and there is evidence that this has been the case. However, ICMA suggested that the liquidity and market functioning appear to have been maintained in the wake of regulation despite ongoing issues.

These issues are particularly related to the transparency regime and the accessibility and quality of pre- and post-trade data. While it is accepted that this will improve over time, the implementation of MiFID II/MiFIR seems to have missed an opportunity to provide a utility based consolidated tape for fixed income, ICMA revealed.

Martin Scheck, chief executive of ICMA, said: “Despite the resource commitment to meet the obligations of MiFID/MiFIR, our members, both buy and sell-side, are not yet seeing the benefits of this regulation although they do understand that it will take time for the many challenges to be addressed and for benefits to accrue.”

Scheck added: “Data quality and accessibility were cited as particular concerns. ICMA and others continue to work with the authorities and market participants to help harmonise approaches and improve the effectiveness of the regulation.”

Contents

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W: www.assetservicingtimes.com
T: @ASTimes_

Editor: Becky Butcher
beckybutcher@blackknightmedialtd.com
+44 (0)203 750 6019

Deputy Editor: Barney Dixon
barneydixon@blackknightmedialtd.com
+44 (0)203 750 6026

Reporter: Jenna Lomax
jennalomax@blackknightmedialtd.com
+44 (0)203 750 6018

Junior Reporter: Maddie Saghir
maddiesaghir@blackknightmedialtd.com
+44 (0)203 750 6019

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

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

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

Office Manager: Chelsea Bowles
accounts@blackknightmedialtd.com

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Kaizen to offer MiFIR trade reporting on ReportShield

Kaizen Reporting (Kaizen) is extending its assurance service, ReportShield, to cover Markets in Financial Instruments Regulation (MiFIR) trade reporting.

Kaizen's ReportShield assurance service is a set of four controls that test for the accuracy and completeness of regulatory reports, mandated under MiFIR.

Kaizen has hired Chris Machin to help develop its new testing service.

Machin has a background in global banking at UBS and Credit Suisse, within their operations and client services.

Previously, he worked on regulatory regimes including MiFIR, Central Securities Depositories Regulation, Securities Financing Transactions Regulation (SFTR), European Market Infrastructure Regulation (EMIR) and Dodd-Frank.

He was most recently head of client support at Simplitium, where he partnered with the London Stock Exchange to help build the approved publication arrangement (APA) TRADEcho.

Earlier this year, Kaizen hired former regulator David Nowell, and the former head of the International Capital Market Association Taskforce on SFTR, Jonathan Lee.

Under the Markets in Financial Instruments Directive (MiFID II), investment firms are required to report on both trades and transactions and financial details of trades are reported to an APA for dissemination to the market.

In transaction reporting, trade details must be reported in T+1 to an approved reporting mechanism, which validates the data before sending the reports to regulators.

Ian Rennie, managing director of Kaizen, said: "With both the buy- and sell-side financial firms now turning their attention to the quality of the data published in the real-time reports through APAs, trade reporting is an important focus for our clients and exactly where Kaizen's strengths of quality, accuracy and transparency will pay dividends."

He added: "We are delighted to have Chris Machin leading the development of our testing service for MiFIR trade reporting. His expertise will enable us to quickly meet the increasing demand from clients and regulators for accurate and complete MiFIR trade reports."

Machin commented: "Kaizen are pioneers in their approach to regulatory reporting assurance and I'm delighted to be joining such a forward-thinking company dedicated to giving clients peace of mind in their reporting data quality."

He added: "Trade reporting is a key part of MiFID II's aims to improve price transparency in the financial markets and I am confident that clients will quickly benefit from the new service."

Calastone's global network migrates to blockchain via DMI

Calastone's global network will migrate to blockchain in May next year via the company's new distributed market infrastructure (DMI).

The migration will connect global financial organisations using distributed ledger technology, marking a significant step for digitalising the funds sector, Calastone said.

The DMI will create a global funds marketplace where buyers and sellers can connect and transact.

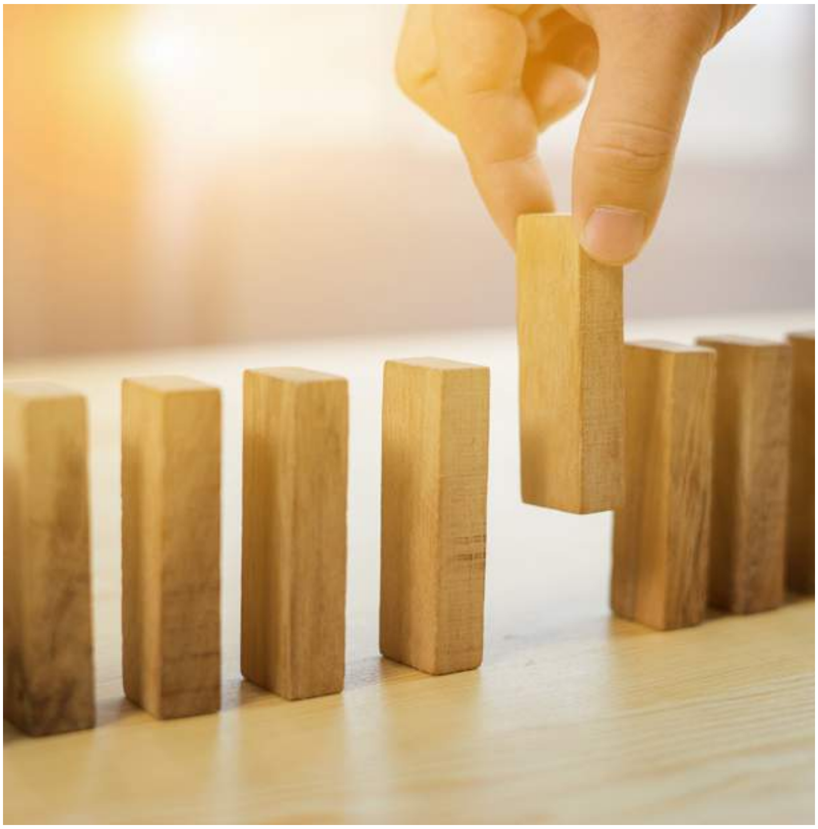
Additionally, the ever-growing risk and costs for fund managers and investors embedded within the current system will be eliminated in the new ecosystem, Calastone noted.

At the same time, organisations can leverage the open technology on which the DMI is built, which allows them to offer new services and investment opportunities better suited to the changing, more sophisticated needs of investors.

Calastone suggested that it has the potential to reduce the overall global cost of fund distribution by as much as £3.4 billion per year through the technological mutualisation of the trading and settlement processes.

Campbell Brierley, Calastone's CIO, commented: "By bringing all trading relationships together, within our shared blockchain-enabled infrastructure, all participants benefit through the real-time view of each record and powerfully, from a data perspective, a single version of the truth."

"Instantly, this alleviates common friction points that exist today, including areas such as reconciliation and settlement, which are resolved automatically with all transactions being performed in the same environment. By making friction-free trading accessible to all parties in the value chain, we are creating an environment that marks an inflection point for the future of the funds sector, optimised



Chartwell reselects Ultimus for fund administration services

Ultimus Fund Solutions has been selected by Chartwell Investment Partners to provide fund administration services for its five mutual funds.

Ultimus and Chartwell started working together in 2005 with The Killen Group and the firm's three proprietary Berwyn Funds. In 2016, The Killen Group was acquired by TriState Capital Bank and merged into Chartwell Investments.

During the acquisition, the servicing of funds changed providers, however, certain relationships between Chartwell remained in place, leading to the transition of fund administration servicing back to Ultimus.

Mark Seger, managing director and co-CEO of Ultimus Fund Solutions, said: "We are thrilled to re-establish our relationship with our friends at Chartwell, reconnecting to service their funds and expanding our alliance with the additional funds."

"We have supported them in their growth and are eager to be their business partner as the Chartwell Funds continue to grow."

Mike Magee, COO of retail division and executive vice president of The Chartwell Funds, added: "The high level of service they provided for us before could not be matched by another administrator."

"Having fund administration with a quality in-house legal team, along with their high touch, solutions-oriented professionals, made the decision to convert easy. It has been a well-managed, smooth conversion process, and this has proved to be a great opportunity for our firm to re-establish our relationship with Ultimus."

to meet the needs of customers and investors now and in the long-term."

Stephen Leggett, Calastone's COO, said: "Migrating our global transaction network onto the new DMI will be a seamless experience for our customers, all of which will quickly and easily be able to leverage the advantages that distributed ledger technology affords."

Julien Hammerson, Calastone's CEO, cited: "Funds remain a vital investment vehicle, though remain hampered by continually rising costs and the threat of competition, ultimately rendering the current system economically and operationally unsustainable. Through leveraging blockchain technology, the DMI transforms the way in which funds are traded, enabling an investment management community that can meet the changing needs of investors."

Asset managers failing to optimise corporate actions

Asset managers are failing to optimise corporate actions decisions on a massive scale, according to a whitepaper released by Greenberg Traurig, LLP.

The whitepaper also highlights the costs to beneficial owners of suboptimal decisions in corporate actions.

The paper noted that the regulatory and legal risks asset managers face for systematically failing to optimise corporate actions decisions.

Greenberg Traurig analysed losses by investors, including some of the largest asset managers in a dataset comprised of all scrip dividends globally between 2011 and 2017.

The firm found average aggregate losses to beneficial owners from scrip dividends alone total $1.3 billion annually—and between 2011 and 2017, approximately $8.9 billion were missed.

Findings also conclude that in 38 percent of scrip dividends, the majority of shares were elected in a suboptimal manner.

Aggregate losses from undersubscribed rights offerings exceed $100 million per year and losses are compounding each day.

As of the end of 2016, unfunded liabilities of private-sector defined benefit pension plans in the US alone stood at $0.5 trillion.

The approximate 10-basis points per year improvement—that asset managers would derive from recovering missed value from scrip dividends alone—would add 1 percent to the return of portfolios over seven years.

The whitepaper was commissioned by Scorpeo, a company specialising in capturing missed corporate actions value.

Robert Frenchman of Greenberg Traurig said: "It's now only a matter of time before regulators commence investigations and enforcement cases and civil plaintiffs commence lawsuits against asset managers that systematically fail to maximise the value of corporate action determinations."

He added: "We think the courts are especially likely to uphold fiduciary obligations, where many are knowingly failing to recover the full value of corporate action events that are the undisputed property of their investors."

Jonny Ruck, CEO of Scorpeo, commented: "The problem the industry is facing is more daunting than many asset managers realise and the consequences of ignoring it are massive. Whether firms decide to leverage their own internal resources or work with a corporate actions technology provider to put a system in place, asset managers need to act now."

He added: "With the tools, technology and processes that exist today, there's no reason investor beneficiaries should be incurring losses of this magnitude. As an industry, we need to systematically improve the way we optimise corporate actions—these are critical functions that can no longer be neglected."

Access Group acquires Rapidata

The Access Group, a software provider, will now be offering payment processing capabilities after acquiring Rapidata Services (Rapidata).

The deal will allow Access Group to infiltrate the payments sector, and integrate payments processing capabilities for its existing not-for-profit customers.

Rapidata was founded in 1997 and supports a range of organisations to collect direct debit payments and maximise their regular income.

With more than 20 years of experience in the payments sector, Rapidata executes bespoke technology, processes in excess of 13 million direct debits per year.

The sale was advised by Cavendish Corporate Finance, which was led by Jon Edirmanasinghe, partner at the firm.

Chris Bayne, CEO of Access Group, said: "Rapidata stood out as a leading UK based payments provider and we are pleased that Cavendish assisted in developing a relationship between the two businesses through to the successful closure of the deal."

He added: "We will work with the Rapidata team to continue to provide excellent service to existing users while integrating the payments capabilities into our wider product portfolio."

Edirmanasinghe commented: "We are thrilled to have advised on the sale of Rapidata to Access Group. It was a pleasure working with Rapidata and its new-found potential within Access Group should be amazing for the business. We ran a textbook sale process, yielding significant competitive tension, which ultimately made for an excellent result for all those involved."

Indonesia Stock Exchange moves to T+2

The Indonesian Stock Exchange has begun trading to launch the acceleration of exchange transaction settlement from T+3 to T+2.

The trading platform was opened by the managing director of the self-regulatory organisation on 26 November. Trading began on the same day.

T+2 implementation can provide benefits to the industry including increasing the efficiency of the settlement process and aligning the settlement time with the World Exchange.

It also offers higher market liquidity, faster utilisation of funds, and a reduction in overall market risk.

Omniex partners with Kingdom Trust

Omniex has partnered with Kingdom Trust, to accelerate its settlement in over-the-counter (OTC) crypto markets.

As part of this partnership with Kingdom Trust, mutual clients will be able to view and analyse assets held at the custodian.

Omniex offers its all-institutional client base portfolio and risk management, trade execution, investment operations, and compliance solutions.

Its execution management system offers connections to the crypto exchanges, as well as key OTC providers.

Kingdom Trust, which has $12 billion in assets under custody, was the first regulated financial institution to offer qualified custody for digital asset investments.

In August, the firm added insurance coverage from Lloyd's of London syndicates to cover any physical theft or destruction of custody assets.

Hu Liang, CEO and co-founder of Omniex, said: "Whereas on-exchange the crypto settlement process is taken care of by the exchange, in the OTC space it has been like going back to the Stone Age, an all-manual process that has been a thorn in the side of clients."

He added: "With continued development, the OSC will be vital to supporting and growing crypto's OTC markets. Our recent partnership with Kingdom Trust is a key step toward our vision."

Matt Jennings, CEO of Kingdom Trust, commented: "We are very excited to partner with Omniex. The Omniex platform is innovative and well positioned for the Kingdom Trust institutional client portfolio."

He added: "The powerful and seamless structure of the Omniex environment will deliver an exceptional experience to our firms' mutual clients, further strengthening the growth of the institutional crypto market."

SQM Frontier Management selects BNY Mellon

BNY Mellon has been chosen by SQM Frontier Management (SQM) to be the sole provider of its prime custody and FX services.

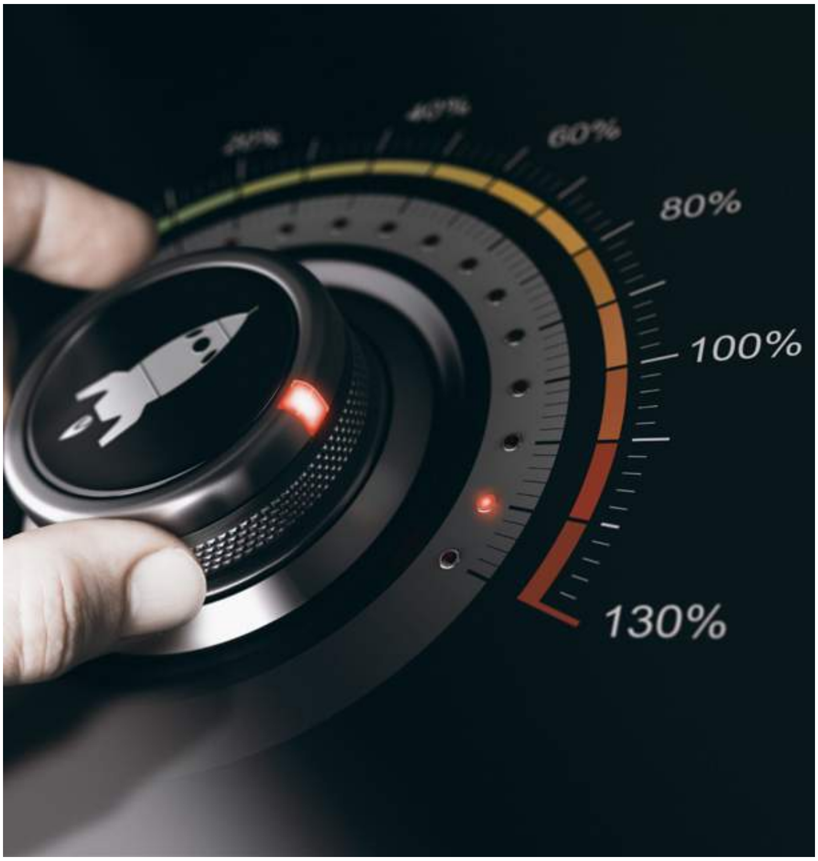
According to SQM Frontier Management, BNY Mellon's innovative technology emerged as the best choice to provide real-time access to information, customisable reporting and client-defined dashboards to support SQM's specific needs.

SQM is a US Securities and Exchange Commission (SEC) registered investment adviser focused on emerging markets, specifically frontier Africa and the Middle East.

Donald Savage, partner and COO at SQM Frontier Management, said: "Throughout the entire selection process, BNY Mellon demonstrated a strong expertise in emerging markets custody and FX services, coupled with an unwavering commitment to client service."

He added: "Their well-established track record delivering a dedicated, high-touch, service was a major factor in our decision to select them as our custodian."

Scott Kern, global head of prime custody services at BNY Mellon, commented; "We are delighted to have been selected by SQM, which has been a leading alternative manager in both frontier and emerging markets since 2010. Our selection is a recognition of our ongoing commitment to our clients, our prime custody offering and a continued focus on technology innovation."



ECB launches pan-European service

The European Central Bank (ECB) has launched a pan-European service for settling electronic payments instantly.

TARGET instant payment settlement (TIPS) uses central bank money to settle payments individually in less than 10 seconds.

TIPS went live on 30 November this year and the first transaction took place immediately when a client of CaixaBank used TIPS to make an instant payment to a Natixis client.

Together with Abanca Corporación Bancaria, Banco Bilbao Vizcaya Argentaria, Banco de Crédito Social Cooperativo, Berlin Hyp, Caja Laboral Popular Cooperativa de Crédito and Teambank, they are the first banks to join TIPS.

According to ECB, the new service is offered at an attractive price. Operating under the principle of full cost recovery, TIPS has no entry or maintenance fees for account holders.

The price per initiated transaction is set at €0.002 for the first two years of operation, with no charges for the first 10 million payments settled on each TIPS account by the end of next year.

Banks across Europe can now follow the lead of France, Germany, and Spain, which have already connected to TIPS, ECB noted.

They can do this by linking to the platform and developing user-friendly solutions that support the take-up of instant payments by appealing to both retailers and consumers, it was revealed.

AFME publishes revised DDQ

The Association for Financial Markets in Europe (AFME) has published an updated version of its due diligence questionnaire (DDQ).

The new version includes extended sections on client money and corporate and social responsibility, as requested by many AFME members.

Now its third iteration, the DDQ harmonises and simplifies the process of completing questionnaires for global custodians, sub-custodians and banks that hold client money.

It aims to reduce the time and resources used by market participants to complete the annual due diligence process.

The AFME DDQ task force, which included around 20 network managers, reviewed submissions proposed throughout the year by market participants.

Alan Cameron, head of market strategy-brokers, at BNP Paribas Securities Services and chair of the AFME DDQ task force, commented: "Our thanks are due to the many throughout our industry who have contributed to the 2019 version. We are delighted that the AFME DDQ is being used so extensively."

Industry still not confident around MiFID II, says survey

Almost 30 percent of those asked said they are only "fairly confident or not confident at all" in keeping up with the second Markets in Financial Instruments Directive (MiFID II) changes, and more than half were not ready, or not reporting correctly when MiFID II first went live in January, according to a survey conducted by Cappitech.

The survey, entitled 'MiFID II and best execution: headache or opportunity', asked approximately 100 capital markets firms to assess the extent to which they had been affected by the new Directive.

Commenting on the industry's lack of confidence, Cappitech said: "Keeping abreast of changes in regulation takes skill, time and resources. Not everyone feels confident to take on this task."

To help solve this, 50 percent of respondents said they plan to employ a dedicated member of staff to manage their regulatory reporting. The survey also found that 65 percent of respondents said they had no systematic method of monitoring their trades according to best execution criteria.

A further 45 percent of respondents said transaction reporting was the most challenging element of the MiFID II ruling, while 29 percent said they found best execution reporting and monitoring accounts a challenge. The majority of respondents (46 percent) were based in the UK, followed by more than 20 percent across other locations in the EU.

Cappitech said: "Respondents were from a wide variety of financial services firms in terms of their business complexity, their focus and their size, with an array of trade volumes."

MJ Hudson acquires Amaces

Amaces provides tools and consulting services to help institutional investors benchmark and monitor the cost and quality of the investor services they receive from their custodian banks.

The acquisition expands MJ Hudson's existing asset management client base from managers, pension funds and other asset owners. It also provides MJ Hudson with an established operational and commercial in the US and Canadian markets, while also offering new and existing clients an extended and enhanced suite of services.

According to MJ Hudson, the firm also provides innovative tools and related consulting services in the field of foreign exchange transaction cost analysis.

Matthew Hudson, CEO, MJ Hudson, commented on the deal: "The acquisition will complement the consulting, analytics and software capabilities MJ Hudson has already built and allow our clients to benefit from a more comprehensive, technology-enabled suite of services, across multiple markets."

"As well as allowing us to provide new services to MJ Hudson's European customers, our decision to acquire the company, its software system and IP comes as we seek to further improve the support we provide to our North American clients and begin to grow our profile in the world's largest asset management market."

SGG Group acquires Augentius

SGG Group has successfully completed the transaction to acquire Aguentius.

According to SGG Group, the combined business offers a suite of fund administration, regulatory hosting and the depositary and Alternative Investment Fund Managers Directive (AIFMD) reporting.

Additionally, it offers credit transactions act/the common reporting standard (CRS), and investor solutions to institutional investors across 24 locations.

Meanwhile, a comprehensive review of the newly combined group's brands is currently underway and until this review is completed all businesses will continue to operate under their existing brand names.

Justin Partington, group fund solutions leader at SGG, said: "The completion of the Augentius's acquisition marks a very important milestone for SGG."

"It reinforces our commitment to become the leading global partner for the alternative investment industry, offering a comprehensive spectrum of services to asset managers and their investors in all key fund domiciles."

Ian Kelly, managing director of UK and Ireland and former CEO and executive director of Augentius, commented: "This is a hugely exciting time for our combined businesses, everyone within it and especially for our clients." AST

Nigeria: a place for investment

Ademilola Aluko, Investor services specialist Stanbic IBTC Bank discusses the many investment opportunities in the growing economy of Nigeria

Nigeria could arguably be one of the largest and most important economies in Africa. It was worth more than $325 billion last year and $1 trillion in terms of nominal gross domestic product (GDP) and purchasing power parity, respectively, and is considered to be an emerging market by the World Bank. With a population that could become the third largest in the world by 2050, the country is often referred to as the "giant of Africa". GDP growth was 5.6 percent between 2007 and 2015 but has slowed down with the global drop in commodity prices. The country has a high propensity to consume with a growing middle class and a youthful population.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The past year has been one of economic improvement for Nigeria, with Africa's largest economy managing to crawl back into growth territory in Q2 2017

The past year has been one of economic improvement for Nigeria, with Africa's largest economy managing to crawl back into growth territory in Q2 2017. The Nigerian government has woken up to the need to make the country attractive and lucrative for offshore investors to bring their capital, skills and business into the country. Investment opportunities can be found in any of the sectors in the country, including agriculture, manufacturing, oil and gas, power, the financial sector (money and capital markets).

Agriculture

As of 2017, the size of the agricultural sector of the economy stood at NGN 24 trillion ($78.3 billion) making it the largest economic sector in Nigeria. It contributes about 21.1 percent to the GDP of the country with an annual average growth rate of 8.7 percent. The sector is made up of crop production (88.1 percent), livestock, forestry and fishing (11.9 percent).

The agricultural sector is one of the country's main foreign exchange (FX) earners and about one-third of all employed Nigerians are engaged in this sector. The sector is largely subsistence and hence has not been able to keep up with the rapid population growth, and Nigeria, once a large net exporter of food, now imports a large quantity of its food products.

In recent times, the government has turned its attention to this sector of the economy attempting to insulate the country against fluctuating oil prices by economic diversification. This is being done through government policies, partnerships and collaborations by the governments as well as various credit schemes and borrowers programmes.

The potential in this sector of the economy cannot be overemphasised as 87 percent of the country's land mass are arable and Nigeria's favourable climatic conditions give the sector a competitive advantage in agricultural production. There are a number of profitable investment opportunities in this sector for foreign direct investments.

Manufacturing

With an estimated population of 186 million people, the Nigerian economy has a massive potential workforce as well as consumer base. This is an ideal situation for the manufacturing industry as this population provides adequate potential customer and employees.

Throughout the 1990s and 2000s, Nigeria's over-reliance on oil export made production from the manufacturing sector to drop significantly. Data obtained from the Manufacturers Association of Nigeria showed that total manufacturing output in the formal sector in Nigeria was NGN 6.84 trillion in 2010. It increased over the following two years by N1.3 trillion in 2011 to reach NGN 8.17 trillion and by NGN 1.65 trillion in 2012 to reach a total of NGN 9.82 trillion. In all three years, the formal manufacturing sector was dominated by the output from the food, beverages and tobacco activity, with NGN 4.93 trillion of output contributed in 2010.

The Nigerian government is eager to expand the manufacturing capability in the country, they are therefore offering incentives for manufacturers that can source their raw materials locally. They also banned importers of a few items that can be sourced locally from accessing the Central Bank of Nigeria FX auction window for FX.

Oil and gas

Since the discovery of oil in 1956, petroleum has played a large role in the Nigerian economy, accounting for 40 percent of GDP and 81 percent of government earnings as at 2017. Nigeria is the 12th largest producer of petroleum in the world and has consistently been a top exporter, and has proven reserves estimated at about 35.2 billion barrels. The investment opportunities in this sector cuts across oil and gas production, refining as well as some indirect opportunities. Nigeria has an abundance of discovered oil and gas resources that are yet to be explored.

The economy's refining capabilities are not sufficient to meet local demands and not able to meet export demands as well. Although investment in this sector could be risky, successful ventures have proven to be quite lucrative.

Telecommunications

This sector has over the years contributed immensely to Nigeria's economy. In terms of GDP contribution, the telecommunication sector accounts for about 7.5 percent of the Nigerian economy. The country is one of the largest markets for telecommunication in Africa. The deregulation of the telecommunications sector in 1992 through decree 75 was to allow for private sector participation in the sector and expand the nation's communication facilities.

The Nigeria Communications Commission (NCC) was established consequently to regulate the performance of the sector. The sector has experienced rapid growth and helps in, for example, easier digital banking services (bank mobile apps) and access to e-learning platforms to Nigerians.

In terms of investment opportunities, Nigeria's broadband infrastructure has a lot of room for growth and could be an opportunity for investors. The local production of hardware, currently imported, could also be a lucrative area of investment opportunity and the Nigerian telecommunication sector is said to be one of the fastest growing markets in the world.

The sector is open to private participation and operation as it is fully deregulated and has seen a lot of foreign participation. Currently, foreign investment is encouraged via joint ventures and an NCC licence is required to operate.

Financial market

The financial market is segmented into two major markets: the money market and the capital market.

The money market is the market for short-term funds and securities including treasury bills, treasury certificates negotiable certificates of deposits, commercial paper and other funds of less than one-year duration.

The capital market is the market for long-term funds and securities whose tenure extends beyond one year. These include long-term loans, mortgage, bond, preference share, ordinary shares, federal government bonds and industrial loans.

The capital market is a complex institution and mechanism through which intermediate and long-term financing are raised by the government, business and individuals.

Unlike the many money markets which primarily exist as a means of liquidity adjustment, the capital market provides a bridge of transforming saving into long-term investment by using equity bonds, debentures, mortgages and investment stocks to facilitate intermediation.

The capital market is made up of the primary and the secondary market. The primary market, which is also called the new issues market, focuses on the issuance of new securities while the secondary market is where listed/existing stocks are traded.

Nigerian capital market

The Nigerian capital market started with the establishment of the Lagos Stock exchange in 1961 and was in operation until the establishment of the Nigerian Stock Exchange in 1977. Major participants in the market include the central bank, securities and exchange commission, development financial institutions, issuing houses, stockbroking firms, registrars, commercial banks and custodians. The various instruments traded include:

Debt Instruments

A debt instrument is used either by the government or private companies to generate funding. They can be traded in the primary and secondary market with tenure ranging from three to 25 years. Investment in this instrument is low risk hence yields are lower compared to traded instruments. Instruments in this category include federal government bond (sovereign bond, green bond), state bonds, and corporate bonds.

The level of bond floatation in the Nigerian capital market has been encouraging from 1999 to date. Many state governments and companies also have access to the market to raise funds to finance various developmental projects by issuing state and corporate bonds.

Money market instruments

These are short-dated instruments with tenures ranging from one day to one year. It includes securities such as: treasury bills, commercial paper, certificates of deposit and bills of exchange. These are just some of the advantages to investing in the Nigerian money market.

Equities

These are issued by companies and they are also traded in the primary and secondary markets. Ownership of equities translates to ownership of the business hence the investor has certain rights in the company. Due to higher risks the yields/returns are much higher than debt and money market instruments. The Nigerian Stock Market recorded 45 percent returns on investments to investors last year, making it the best performing bourse on the African continent and the third best market in the world.

Derivatives

As the name suggests, the price, function and risk of the derivative depend on that of the underlying assets. The Nigerian market has witnessed a recent rise in the use of derivatives especially in transactions involving foreign counterparties. There has been a significant positive response from both local and foreign investors in Nigeria signalling a new opportunity for Nigeria.

Derivatives can be used to accomplish a lot of risk management objectives due to their extremely flexible contractual nature if properly utilised.

Despite risks, which are characteristic of a typical emerging market economy such as currency convertibility, political instability, security and changes in policies, the potential benefits of investing in the Nigerian economy can produce substantial returns for the investors who have developed practical solutions to mitigate them. AST

Data ethics

Industry participants gathered at FIMA's conference in London this year, and were given the platform to discuss how to comply with ongoing regulations

Maddie Saghir Reports

Delegates gathered at this year's Financial Information Management (FIMA) conference in London, titled 'Optimising your data strategy'. Some of the main topics at this year's event included data ethics, cloud innovation and modernising regulatory reporting. The conference encouraged interesting debate surrounding data ethics, and delegates discussed what people can practically do in this area.

Discussing data ethics, one speaker said in a panel that people need to understand what the right thing to do is when it comes to dealing with data. The panellist said: "It is about weighing up particular choices and forming a structure that defines boundary lines for people over what is right and what is wrong."

They continued: "It has to start with a discussion that forces people to think about their decisions and their accountability around data ethics. There should be a framework in place that enables people to think about what the right decision would be in a certain scenario."

One panellist advised industry participants to use data that is proportionate to their business needs, saying that there is a set of framework rules that can be applied. Explaining this further they advised industry participants to ensure robust practices and to work within their skill set, adding that they should make sure their work is transparent and that they should be accountable for those decisions and use data responsibly.

Meanwhile, another speaker said: "Ultimately, we are all profit making and whilst you want to monetise, you also need to do so in a way that is ethical, which is always a hard balance to strike."

The moderator noted: "If this was easy there would be no ethical dilemma—there is no one clear answer here, there is just a lot of opinions and we need to apply the framework to get some level of transparency", he then asked the panel if they had to adjust their strategy to cope with data ethics.

In response, one panellist replied: "Yes, we have had to act and adjust. Ethics is something that is continuing to grow. Conversations around data ethics are starting to happen more rapidly and we will see more of it over the years."

One panellist added: "Of course we have to adapt but because most large organisations have an ethical framework in place, the focus is more about data. In our case, we do have something available."

He added: "What I find fascinating in the industry is the emergence of environmental, social and corporate governance (ESG). Firms have started to think about the environment so all of these things are starting to make an appearance in the industry."

While the panel was in session, a live poll found that some 47 percent fully agreed to the statement that 'General Data Protection (GDPR) determines what can be done with data, while data ethics address what should be done with data'. Some 44 percent agreed, 7 percent disagreed, and 2 percent fully disagreed.

In another session on the first day of the conference, Olivier Colinet, cloud leader, financial services, EY, said that cloud is a business transformer, not a technological shift. He explained that "cloud is a disruptor and it is about considering cloud as a business accelerator".


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Despite the challenges facing the German banking industry, there are bright spots, notably in serving the local and international needs of Mittelstand clients, and in the ability to provide more efficient and better service to retail and corporate clients through online channels. Germany's best bank, Commerzbank, is focusing on both these opportunities.
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Colinet added: "Clarity over compliance remains the key barrier to cloud adoption", and he drew upon his presentation which questioned the possibilities of being able to demonstrate to the regulators a real-time view of controls in a format they recognise. He asked: "And what if you were able to be alerted to shadow IT the moment someone spins up a new system?"

Colinet also stated that cloud is about changing the mindset and he looked into what the 'new normal' might look like. He said: "All security safeguards are to be broken; instead detect new threats and respond rapidly—an open versus walled garden security model."

He added: "Data creation, data exchanges and data inputs may at times escape corporate policies, shadow IT and set controls to get alerts in real-time."

Meanwhile, discussing the opportunities around cloud, Colinet highlighted that the cloud offers unparalleled opportunities and he drew upon the data quality (DQ) regulations and data quality machine learning (DQML) tool. Clients want to know what the cloud looks like, therefore, EY has been investing in using visuals to translate the value of using the cloud, Colinet revealed.

He said: "The EY DQML tool is a mobile responsive application that enables clients to detect and address data quality issues such as duplicates, missing values, outliers and address verification using advanced machine learning algorithms and models."

"Moving to the cloud isn't simple—it is important to use the cloud as a journey and driving metrics behind these initiatives is crucial. Drive cloud adoptions, deliver on cloud vision, and lead cloud transformation."

He also suggested that cloud is paramount in building the bridge between cloud and business. He commented: "It is about finding innovative and disruptive ways of doing things as well as the agility and the speed of doing things."

"It is an exciting time, being able to see how the cloud can be transformational in your organisation. We believe that cloud is the new IT."

He also cited that the mindset needs to change around the cloud, adding that we are operating in an open environment rather than a walled garden.

Colinet advised: "Cyber is operating in an open environment and the same environment applies to data. It is important for CTOs to set the right controls in place. Architecture is becoming a commodity so don't stop yourself innovating and using the full power of the cloud."

On day two of the conference, Sanjay Saxena, head of data governance at Northern Trust, said that the industry "must move the needle" beyond what it can offer in the data space. In a presentation, entitled Monetising Data, Saxena questioned what exactly exploring data meant and what it means on the industry's journey as it moves forward.

Saxena stated that more must be done to manage the quality and quantity of data beyond regulatory targets.

He commented: "Speakers here this morning have already talked about the quality and management of data. We have to move beyond regulatory initiatives [for firms] to become an effective data company. We should be promoting values around culture and quality of data, which is what we are doing at Northern Trust."

He stated that data must be given in a consumable form, aimed to enhance insights for the customer and, it must, he said, offer as many monetary benefits as possible.

He added that in particular, there should be a stronger partnership between data and product groups to build data-centric products.

To move forward, Saxena said firms should ensure that they do not cannibalise existing products and should make privacy concerns paramount to their business model. Saxena also stated data aggregation across many different firms is becoming a new disruptive business model.

Looking to the future, he predicted the shift toward data-centric business models will be slow and will require additional investments in architecture, data platforms and data governance.

In another panel on 'Re-imagining Your Data as a Commercial Proposition', one panellist said that chief data officers (CDOs) should be at the top of the tree of coordination for any firm in financial services.

They said: "Going forward, understanding data is mandatory in the regulation space, and if [firms] do not understand and utilise data [they] will not survive in the industry, and will see no progression."

The speaker added: "You need to have a strong CEO and CDO who project confidence to the regulator and create capabilities that clients can easily access and utilise. You must understand where exactly your data is coming from and always question its accuracy."

They stated that people within the financial industry did not fully understand the notion of data strategy as an asset even five to 10 years ago. The speaker also added that since the financial crash of 2009, the industry understands the notion of operational risk much better.

Since then, the speaker said, data has been treated as a mindset. The panellist concluded that it is imperative to "constantly know that your data is there for where and when you need it". AST

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For enquiries contact: Email : FPI.custody@stockholding.com Telephone : +91 022 61779074 / 9038 / +91 9987776171, + 91 9004691682 For more information, please visit https:// custody.stockholding.com

ABCDs of innovation

Michael Tae of Broadridge discusses how technology transformation is dramatically altering how financial service firms operate

Becky Butcher reports

What trends are you currently seeing around technology innovation?

Our industry is currently facing the challenge of increased cost pressures, and transitioning technologies. Adapting to and leveraging these next-generation technologies is an essential part of our clients' forward-looking strategies.

This technology transformation is dramatically altering how financial service firms operate, acutely apparent in rapidly changing end-customer preferences. Broadridge is committed to driving the innovation roadmap in relation to next-generation technologies, to allow our clients to get ahead of today's challenges and capitalise on tomorrow's opportunities.

There are four technologies that we're particularly focused on right now on behalf of our clients, and we call these the "ABCDs of innovation"—artificial intelligence (AI), blockchain, cloud and digital. We see the ABCDs as propelling growth in the industry, and we will be an on-ramp to these new-generation technologies for our clients.

In general, the potential benefits that can be achieved through the ABCDs are in improved operational efficiencies, reduced risks, and an improved end-user experience.

Within capital markets we are leveraging our deep expertise in post-trade and shareholder communication, our significant scale across our network of clients, and unique view of industry data to assess where the ABCDs can be applied to derive significant operational and financial benefits, and have piloted and deployed a number of successful use cases in areas such as securities finance and proxy voting.

Can you tell me how your new asset servicing solution works?

We identify pain-points for clients, helping them to find the problems and questioning, "what can we do to find the best technologies and the best operations to fix them?"

There are $2 to $10 billion dollars in direct and indirect losses related to corporate action events that occur as a result of underlying industry inefficiencies. We view that as an opportunity to solve some of those inefficiencies. A big part of the challenge is about data management. It's a subject that comes up quite frequently in our industry. We already support a global bank across 16 legal entities on the platform and we are integrating a second one successfully, facilitating the consolidation of 15 entities globally. It's an automated end-to-end lifecycle solution for global asset servicing, for all types of dividend, coupon, and corporate action (ReOrg) events—from announcement capture and cleansing through to settlement of the entitlements.

One of the highlights around what we've got is the data cleansing part—doing that in a consistent format. The data comes in all sorts of different forms from multiple sources, and so we have real-time data scrubbing functionality, which is highly advanced and aids the quality of all other areas through a golden record.

What opportunities can the solution provide your clients?

It brings increased efficiency and reduced complexity through standardised and highly automated real-time business support, backed by exception-based workflow automation throughout the lifecycle.

We talk about end-to-end because the solution also takes into account the front-office too, including elements that other offerings do not necessarily have.

It is able to support complex investment bank trading models across multiple business lines and asset classes and is optimised to support front office opportunities in areas such as tax, financing and inventory management through a unified view of global inventory.

Being able to view an event in light of the long, short, on-loan and hedge positions is a capability we believe is highly unique.

What are the biggest challenges around technology innovation?

It varies based on the area of technology. For example, over recent years and off the back of the financial crisis, there has been an increase in regulation and margin pressures, causing more firms to seek a move to cloud-based shared service solutions to lessen their non-differentiated activities and focus on the core competence areas.

However, to be effective, migrating to the cloud requires a clear roadmap to avoid a cumbersome and excessively complex process. In response to this, we offer a common migration framework and architecture across clients, and a mutualised approach to ongoing investments to leverage technology innovation and reduce the overhead of ongoing market and regulatory change.

What else is Broadridge currently working on in the asset servicing space?

We'll be concentrating on responding to the interest we're receiving for our new asset servicing solution which we formally announced at this year's Sibos conference in Sydney—we're obviously committed to our clients' requirements and the solution's broader market take-up.

We recently released a white paper 'Shareholder Rights Directive—everything you need to know' calling for a proactive industry response to shape common guidelines and implementation standards around the revised Shareholder Rights Directive, set to come into force through national laws by 3 September 2020 across European member states.

The report explains the opportunity to advance corporate governance and the core areas of change for firms involved in the proxy voting lifecycle, while highlighting the need for harmonisation across national jurisdictions.

It focuses on three key themes: shareholder identification, agenda distribution and voting by intermediaries, and vote confirmation. We'll be talking more about that, moving into 2019. **AST**

Comings and goings at RBC I&TS, BNP Paribas, Citi and more

Doug Moore, head of investor and treasury services, Asia Pacific, at RBC I&TS has retired.

After almost eight years in this role at RBC I&TS, Moore retired on 30 November.

Moore has extensive business and financial experience in Asia on both the buy and sell side, including strong investment management expertise with prominent Asia corporations.

Corfinancial, the provider of specialist software and services, has appointed Bruce Hobson as CEO.

Hobson has been in the fintech industry for 18 years and has held senior executive financial and business leadership positions for 22 years.

For the past 15 years, he has held the position of CFO of Corfinancial for the past 15 years and global head of salerio for seven years.

His introduction into the software industry was at Indus International, the global enterprise asset management software firm, based in San Francisco.

Commenting on his appointment, Hobson said: "I am pleased to be taking the helm at Corfinancial during an exciting growth phase. We now have more than 50 clients around the world; many of them being blue chip names and market leaders in the investment management sector."

"My goals include the continued expansion of our market share for our flagship solutions BITA Risk, salerio, paragon and CO-STARS, and expanding the sale of our products globally."

"I will also focus on preparing our technology platforms for a future in the cloud and making our software more flexible and accessible to our target markets."

John Donnelly, executive director at Corfinancial, commented: "I have pleasure in announcing the appointment of Bruce Hobson as CEO."

"Bruce Hobson brings with him a wealth of experience in Corfinancial's products and markets, but also a deep seam of knowledge in running international software firms, revitalising and growing business units, selling and software delivery. Corfinancial is well placed to become an increasingly significant player in its key target markets."

BNP Paribas Securities Services has expanded its alternative investment services team in the Asia Pacific with the appointment of Caleb Wong.

Wong, who joins as head of alternative investors in the Asia Pacific, will lead the firm's Asia Pacific alternative investors client line teams, assisting with the growth of its franchise across the hedge fund and private capital sectors in the region. He has more than 20 years of experience in banking and finance with expertise in the servicing of alternative and traditional asset classes.

Previously, Wong was managing director at State Street Alternative Investment Solutions, responsible for its limited partners servicing, private equity and real estate administrations business in the Asia Pacific region.

Based in Singapore, Wong will report to Mostapha Tahiri, head of institutional investors in the Asia Pacific.

Ian Lynch, global head of alternative investors at BNP Paribas Securities Services, said: "Caleb Wong's appointment follows a number of recent strategic hires aimed at bolstering our alternatives offering globally, and positions us perfectly to develop our services in a burgeoning Asia Pacific region."

Commenting on the appointments, Tahiri added: "Wong's expertise and experience in the Asia Pacific will be very valuable for us to further accelerate our development and enhance our capabilities in this fast-growing and exciting region."

Citi has added three executives to its securities services and issuer services operations.

The three hires include Jeffrey Plein, Michael Page and Owen Carroll.

Plein will join Citi as managing director and regional head of Asia Pacific and will be located in Singapore. He will be responsible for providing leadership and strategy development for securities services and issuer services operations across the Asia Pacific region.

Returning to Citi, Page will serve as managing director and head of productivity and automation in London. He left Citi in 2015 from his role as managing director for the global foreign exchange and local markets business.

Both Plein and Page will report to Brian Ovaert, global head of securities services and issuer services operations.

Carroll has been appointed as director and global head of transfer agency operations.

Based in Dublin, he will be responsible for all transfer agency operations across fund administration operations globally, including distributor services in Europe and Asia, processing teams in Kuala Lumpur and India, global change management and anti-money laundering teams.

Commenting on the hires, Ovaert said: "Jeffrey Plein, Michael Page and Owen Carroll are very experienced professionals and great additions to our team. We are delighted to have them on board and I am confident that they will have an immediate impact on our franchise as we further expand our global capabilities and support our growing client base."

MUFG Investor Services has appointed John Sergides and Hideto Shimada as co-CEOs.

John Sergides and Hideto Shimada will both begin their new roles on 1 January 2019. Eiji Ihori, the current interim CEO, will return to his role as senior managing executive officer, Mitsubishi UFJ Trust and Banking Corporation.

Over the previous six months, Sergides and Shimada have been operating as deputy CEOs and leading the day to day running of the business. From January, Mike McCabe will assume the role of head of sales, product and marketing globally after serving as the interim lead over the last six months.

MUFG said: "Over the last two years, Mike McCabe has made a tremendous impact on MUFG, winning several critical mandates that have helped build momentum for the organisation. His high-touch approach to addressing current and prospective client needs has helped us win the trust of our patrons and colleagues alike."

Citi has appointed Nikola Todorovic as director of Securities Services Sales and client coverage.

Todorovic, who started the role in December, is based in Switzerland. Previously, he served as head of sales and relationship management securities finance and collateral management at SIX.

Todorovic also served as senior sales manager at SIX where he was involved in: clearing, cash equities clearing, global custody, securities lending, central counterparty securities lending, securities finance, collateral management, tri-party repo, tri-party services, carbon trading, and electronic trading/execution/connectivity. He has also worked at NYSE Euronext, Aramid Capital Partners and ABN Amro Mellon.

Chris Rakers has joined Tillman Private Equity Services (Tillman) as managing director.

In his new role, Rakers will lead Tillman's fund administration and outsourced CFO business.

Rakers has over 14 years of experience in the private equity and hedge fund industry, most recently as a senior manager at NAV Fund Administration Group.

Prior to this, Rakers served as COO at Custom House Fund Services where he managed a 200 plus person fund administration team across the US, Europe, and Asia. He began his career as a fund accountant at Northern Trust.

Commenting on his appointment, Rakers said: "I'm excited to join Tillman and work alongside a truly dynamic team that has deep roots in the private equity and SBIC space."

"Increased demand from limited partners, regulators, and auditors for technology and transparency are driving this current shift towards an outsourced fund administration model for private equity funds."

"Tillman's exceptional reputation, first-class talent, and focus on innovation made this a really attractive opportunity for me." AST