

asset servicing times

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Data will hold the key

BNY Mellon's Daron Pearce explains why data will be the main point of competition for the industry

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Euroclear Bank becomes first custodial member of TASE group

Euroclear Bank has become the first financial institution to become a custodial member of the Tel Aviv Stock Exchange (TASE) group.

The custodial membership will allow Euroclear Bank to directly access TASE without engaging in any trading activity.

The custodial membership will enable Euroclear Bank to provide settlement and asset services for domestic Israeli securities through its direct account in the central securities depository (CSD) operated by Citibank NA, Israel.

Euroclear Bank, the first institution to join TASE as a custodial member following TASE's approval of such membership, will have a securities account at TASE through which it will serve its global client base.

The benefits to international investors include a higher level of asset protection, increased market proximity and faster access to securities.

Orly Grinfeld, executive vice president and head of clearing at TASE, said: "We are delighted that Euroclear Bank has chosen to join the Tel Aviv Stock Exchange as a custodial member. By joining TASE, foreign investors will be able to hold Israeli securities via the Euroclear direct account in TASE. It is one of TASE's strategic goals to enhance membership types, increase competition, and expand foreign investors' involvement in trading on TASE. We believe that other international institutions will follow Euroclear's lead and will join the Tel Aviv Stock Exchange as TASE members."

Frank Slagmolen, deputy head of global capital markets at Euroclear, commented: "Asset protection and efficiency are key factors for international investors when they make investments in domestic capital markets. With Euroclear Bank becoming the first participant with direct access to the Tel Aviv Stock Exchange's CSD, we are pleased to make settling in Israeli instruments safer and easier for our global client franchise, further strengthening our global network."



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Latest News

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Industry Appointments

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Bahana TCW selects SS&C platform for back-office operations

PT Bahana TCW Investment Management is now live on PORTIA, SS&C's middle-to-back office investment operations platform.

PORTIA automates the firm's portfolio and fund accounting, and client and regulatory reporting on a single platform.

According to SS&C, Bahana TCW selected its investment platform due to its successful track record in Asia, strong knowledge of the Indonesian market and PORTIA's ability to support the firm's growing mutual fund reporting requirements.

Bahana TCW is an investment management and advisory firm headquartered in Indonesia.

Edward Lubis, president director of PT Bahana TCW Investment Management, said: "SS&C dedicated a strong team that was able to meet our operational requirements at a competitive price."

"We have now gained substantial efficiencies and stronger reporting capabilities."

Christy Bremner, senior vice president, institutional and investment management at SS&C Technologies, commented: "Indonesia is a strong market for SS&C and we're pleased to support Bahana TCW. We continue to invest in product development and market expertise to remain a leading solution provider in the Asia Pacific."

ASX sees CHES holdings value increase

The value of securities held in Australian Securities Exchange's (ASX) Clearing House Electronic Subregister System (CHES) increased 8 percent in July, compared to the previous corresponding period.

The number of dominant settlement messages in July was 11 percent higher than June.

In July, the average daily number of trades was 39 percent higher than the previous month. The average daily value traded on-market of \$4.5 billion was also up 12 percent.

Average daily futures and options on futures volumes were up 10 percent in July compared to June.

Meanwhile, average daily futures volume was up 11 percent and average daily options volume was down 20 percent on June's figures.

July's figures showed that the notional value of over-the-counter interest rate derivative contracts centrally cleared was \$1,207 billion, compared to \$380 billion in June.

BNY Mellon opens new office in South Korea

BNY Mellon has opened a new representative office in Jeonju, South Korea to extend its partnership with the National Pension Service of Korea (NPS).

BNY Mellon was selected by NPS as the global custodian for their fixed income mandate last year and was recently given permission from the Korean regulatory bodies to set up a representative office in Jeonju, the location of the NPS headquarters.

Rohan Singh, head of asset servicing for Asia-Pacific at BNY Mellon, said: "We are both delighted and honoured to have been given further opportunities to serve the National Pension Service of Korea."

He added: "This new move marks further co-operation between the two organisations



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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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R3 to double the size of its London hub

R3 is to double the size of its London hub to accommodate its rapidly growing engineering team.

The company also aims to increase its global headcount from its current level of 215 to nearly 300 by the end of the year.

Over half of the new hires will be in the London office, with more than 40 new recruits being made in the capital.

The firm's new hires will consist largely of software engineers, along with commercial and client-facing roles around the world.

R3 explained the growth of the engineering team will ensure that the hundreds of businesses who build their applications on Corda can continue to deploy blockchain solutions simply and successfully.

This initiative is part of R3's growth plans to open an additional engineering centre in a new city by early 2020.

R3 is currently evaluating the best location for the second site and will make that selection in the coming months.

David Rutter, CEO of R3, said: "There is an enormous opportunity for London post-Brexit. While there clearly remain some uncertainties, we believe the city is well placed and established to thrive in the coming years. That's why we are confident in making this substantial long-term commitment now."

He added: "R3 is committed to ensuring the technology underpinning Corda is cutting-edge. To continue to do this, we need the very best people. It makes complete sense to look to London as we further develop the ways that blockchain can be developed and deployed."

"As our software gains more use cases and across more sectors, we will be looking to invest further in top talent—London and elsewhere."

and re-affirms the value BNY Mellon provides through its integrated servicing, data solutions and long-term commitment to major institutional investors."

David Cruikshank, Asia-Pacific chairman at BNY Mellon, commented: "We see a bright future for Jeonju to become one of the major financial centres in Korea, a strategically important market for BNY Mellon in Asia-Pacific."

He added: "With more than 30 years of strong presence and servicing experience in Korea, we look forward to further opportunities in the country and are committed to being a trusted partner to our Korean clients, helping them to achieve the highest goals, both at home and globally."

Intertrust expands its services in the US

Intertrust has expanded its services in the US and appointed Deirdre Hochman as head of US corporate and administration services.

As part of the expansion, Intertrust's clients with US-domiciled legal entities and affiliated transactions will now be able to utilise Intertrust's local funds and capital markets services.

The expansion leverages funds services technology adopted through Intertrust's recent acquisition of Viteos, as well as new software developed in-house, providing access to global entity management.

Expanded solutions include formation, domiciliation, entity maintenance, shadow administration, statutory accounting, and capital markets expertise, including management and administration.

Hochman was previously a director at Blackrock and also held senior positions at Fidelity Investments, including vice president of operations.

James Ferguson, head of Intertrust, Americas, said: "Expanding our offering in domestic administration services is a natural progression for us. I am so pleased Deirdre Hochman is the person to take us forward



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as the leader in tech-enabled administrative solutions across the US. With Hochman's experience, drive, and vision, we have a team of experts in place to better support our clients and business partners across the globe."

The Fed launches new service to support faster payments in the US

The Federal Reserve is to develop a real time payment and settlement platform, FedNow Service, to support faster payments in the US.

The go-live date of the service is expected to be in 2023 or 2024.

According to the Federal Reserve, faster payment services have the potential to become widely used and to yield economic benefits for individuals and businesses by providing them with more flexibility to manage their money and make time-sensitive payments.

The board is requesting comment on how the new service might be designed to most effectively support the full set of payment system stakeholders and the functioning of the broader US payment system.

The board is also intending to expand its Fedwire Funds Service and National Settlement Service hours, to facilitate liquidity management in private-sector real-time gross settlement services for faster payments and to support a wide range of payment activities, beyond those related to faster payments.

Lael Brainard, board governor of the Federal Reserve, said: "Everyone deserves the same ability to make and receive payments immediately and securely, and every bank deserves the same opportunity to offer that service to its community. FedNow will permit banks of every size in every community across the country to provide real-time payments to their customers."

ESMA seeks experts in data regulatory reporting

The European Securities and Markets Authority (ESMA) has issued a call for candidates for its newly-established data advisory group (DAG).

ESMA is seeking individuals with expertise on issues related to market data regulatory reporting and record-keeping of derivative contracts positions as well as transactions in financial instruments, including securities financing.

The authority is also looking for individuals with knowledge of order book, instrument reference data, investment funds and prospectus data.

DAG members are expected to advise ESMA's data standing committee (DSC) which undertakes ESMA's policy work in data and reporting related areas.

Once established, the DAG is expected to advise where necessary the DSC on specific data matters in its work on the completion of a single rulebook and advise where necessary the DSC on specific data matters in its work related to the development of supervisory convergence tools.

It is also expected to inform the DSC on matters of practical implementation of reporting requirements which require clarifications or adaptations and potentially advise other ESMA groups on specific data matters within their remits.

Interested individuals should send their candidacy to ESMA by no later than 16 September 2019.

Barclays to gain share in Deutsche Bank's prime brokerage business

Barclays is to gain a share from Deutsche Bank's prime brokerage business, sources have confirmed.

This follows the CEO of Deutsche Bank's, announcement which indicated negotiations are on track for the sale of Deutsche Bank's prime finance and electronic equities platform to BNP Paribas.

The negotiation with BNP Paribas came after Deutsche Bank said it is to exit its equities sales and trading business, while retaining a focused equity capital markets operation, as part of a radical transformation.

Meanwhile, it was recently reported that Barclay's balances in prime financing grew by some \$20 billion over the last month.

Jes Staley, Barclays Group chief executive, commented: "It's a very attractive business. Its interest accrual business, you earn revenue on Saturdays and Sundays, and so it's a very important part of one's overall markets business and we have a very strong franchise in prime brokerage, and we look forward to growing it in the future."

Deutsche Bank declined to comment.

Northern Trust launches new investment analytics tool

Northern Trust has launched Performance RADAR, a new investment analytics tool, to provide institutional investors insights when tracking and analysing risk and performance across their portfolios.

Performance RADAR offers user experience for accessing performance, attribution, contributions and ex-post risk results online across individual and aggregated portfolios.

Serge Boccassini, product lead for investment accounting and analytic solutions at Northern Trust, said: "Performance RADAR allows asset owners and asset managers to amalgamate and synthesize large amounts of complex data through flexible visualisation tools."

He added: "Our clients can find information quickly using powerful graphics and intuitively compare performance results. The result is that we provide clients with greater insights into their analytics—faster and more efficiently than ever before."

Hollis Otero, head of corporate and institutional product and solutions at Northern Trust, commented: "Northern Trust is committed to anticipating and supporting the evolving needs of our clients as they monitor and manage their investments. The introduction of Performance RADAR is another key milestone in the execution of our user-focused digital strategy."

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Building Responsible Partnerships



Data will hold the key

Daron Pearce of BNY Mellon discusses the latest European and North American back-office trends and how data will be the main point of competition for the industry

Jenna Lomax reports

What European trends are you seeing that the middle- and back-office should be aware of right now?

There are three big trends, the first of which concerns resiliency and regulators' demand for a higher level of recoverability, turnaround times and critical economic functions.

These factors are critical to the health of the financial services environment. You have to be able to demonstrate that we are investing in those areas and developing cyber-secure technology.

In addition, clients are expecting digital outputs from the services we provide. There is an increasing demand for daily available dashboard information on performance, calculations and reporting.

The third trend is data, which has been a hot topic of discussion at FundForum this year. The industry is experiencing an insatiable thirst for data. With our scale, we have enormous amounts of data within our architecture; the mission we are on is to make it more available, then bring insight using that data.

All three of these trends set our priorities, and, as a service provider to the asset management community, we are finding that clients are very much interested in outsourcing middle-office functions to pass on their pressures and avoid costs.

We are seeing an ever-increasing demand for outsourced services, so we have developed a modular model rather than doing giant lift-outs that promise a lot and typically deliver very little.

We categorise and pick out components that we believe we have the scale, expertise and technology to deliver on.

How is ESG driving change in the industry? To what degree is it changing asset servicing?

In the last few months, environmental, social and corporate governance (ESG) has gone from being a secondary conversation to a mainstream topic. Just about every one of our clients, whether they are an asset owner or manager, is looking to demonstrate that they are engaged in the ESG agenda and many have appointed managers focused on ESG.

As a service provider to both asset owners and asset managers, we have partnered with Arabesque, who offer an ESG ranking index.



The endgame [of regulation] is investor protection, it's not about the regulators trying to cripple asset servicers and prevent the industry from doing good business



Through us, clients can put a portfolio into that system and it will tell them their ESG score. We're proud of being ahead of the curve on that, as it's now front and centre of every client conversation.

What impact are the increased compliance and regulatory hurdles having on you and your clients?

As a systemically important financial institution, we are held to a high standard by our global regulators. We have to comply with the highest standard of all regulations and we must have a very high standard of capital adequacy.

We are a complex organisation, operating actively in 35 countries, so compliance continues to be an ongoing burden that we must maintain. But it's also a hygiene factor—it is hard to differentiate ourselves on compliance and regulation; we simply have to stay on top of it, even though it is a big investment of capital and technology expenditure. While it does feel like a never-ending set of requirements for us, it is an essential part of doing business. It does create some opportunities for us if clients see that a regulatory burden may be too much for them, especially if they are a smaller firm that lacks capital and technology investment.

Do you think the level of regulation in recent years has enabled the industry to have a reset or refresh?

Regulation over the last decade has been a good thing, particularly in the funds industry. The endgame is investor protection, it's not about the regulators trying to cripple asset servicers and prevent the industry from doing good business.

They are just driving standards to ensure that client assets are where they should be, so in the event of a failure, clients can get

their assets back. All of the measures we have seen have been for the protection or improved transparency for the people entrusting us with their money.

How is BNY Mellon taking advantage of developments in technological innovations around artificial intelligence (AI), automation and data analytics? How has it aided the asset servicing industry?

From an operational perspective, we have adopted a great number of bots in our core operation centres that run routines which people used to do manually. That has freed up people to bring their energy and intellect to more valuable work, which is terrific.

Data is focused around insight and helping asset managers, in particular, to extract more value from the data we carry for them, for example, analysis of how and where their funds are being acquired.

In the US, we have a product that enables clients to really understand what is going on with their buying community: our distribution analytics service. We are building a whole new data capability set, along with products of custody, transfer agency and accounting.

What is your outlook on the asset servicing industry, what do you expect in the next five to 10 years from both a European and an American perspective?

I think we will see fewer players, as I expect further consolidation. To stay relevant to our clients requires massive and continuous investment.

In 10 years' time, I think the industry will be unrecognisable. I don't think we will compete with one another on the same things we compete on today, such as custody, income collection and deadlines.


I think data will be the main point of competition, in terms of data management tools, open architecture, and the quality and reliability of the data itself. The organisations that can create that golden copy of data that is relevant to every person in a client organisation will be the winners.

In terms of the US versus Europe, in my experience, the US is always five to 10 years ahead, especially if you look at what has gone on in the US with the degrees of automation through settlement, the over-the-counter cut off times, and overall commoditisation. That gets exported from the US to Europe across five years, starting with the UK, then makes its way across another five years to the rest of the continent. That is typically how it goes.

We are actively working on this to expand our footprint so that we can provide regional solutions for our clients, rather than it being fragmented, as we have seen the market in recent years. We provide services for some countries that are not accessible to our full client base. I think you will see firms like us complete that footprint expansion.

7 Simple Steps

to prepare for initial margin



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Raring to go

Koine's Hugh Hughes and Francesco Roda discuss the set up of their new company and highlight how the market is continuing to embrace settlement services for digital assets

Jenna Lomax reports

What opportunities and additional capabilities have the recent acquisition of Recruitabl provided?

Hugh Hughes: When you acquire a company, you're looking at two main aspects: the business they do, and the people. Luckily, there were a number of individuals that we knew at Recruitabl, two of whom had worked for me before, and one was previously a client of mine.

That group of people I wanted, along with their know-your-customer business, and great computer system. That's worked really well for us.

Koine offers institutional custody and settlement services for both fiat and digital assets.

What trends are you seeing in custody and settlement right now?

Hughes: The big shift is from net to gross settlement. If you're a hedge fund or a big investment bank, you want to be able to use

your money. The minute you've made a decision, you want to use your capital straight away.

At the moment, it's taking two, sometimes three days before you can, which is a significant period of time. What we're building is the ability that, once you've told us you've done a deal, instantaneously you can use your money again.

That's far more efficient, and you can do it 100 times a day. At Koine, we can do one million transactions a second, which is so important for institutions engaged in high-frequency trading or simply concerned with efficient capital utilisation. It's a huge leap, and it's a very exciting change that's happening in the marketplace. A lot of people will tell you that they provide custody services but keep everything in a physical safe. Our service is a sophisticated custody and real-time settlement solution—not just a little box in a corner.

Francesco Roda: We are seeing the market actually embrace settlement services for digital assets. If you look back at 2018, cryptocurrencies were effectively elevated to the status of a new asset class, which is not correlated with traditional asset classes, a unique trait very interesting for investors.

Some 85 percent of 150 endowment funds in the US surveyed by Bloomberg committed capital to cryptocurrencies—this is just the tip of the iceberg.

The truth is that securities can be digitalised through these new technologies and business practices. This is how I would define blockchain—a great innovation combining technology and cryptography to redefine issuance and distribution of value.

We see this as a trend that will gain traction and continue to become dominant in future years. Société Générale issued a €100 million bond on the public blockchain a few months ago—that proves there is a commitment to this new technology.

The traditional players are starting to adopt this trend as well, in terms of custodian and settlement services. We think that digitalisation will grow fast to cover securities. Blockchain could be the ideal solution to issuing securities to broaden distribution and increase liquidity.

Koine's solution has been designed to overcome the risk of client assets being hacked from exchanges and minimise any insolvency risks. How does it do this?

Roda: We are driven by the requirements of our buy-side clients. Their key issue today is counterparty risk, which slows the adoption of these new assets. Most of the digital assets and currencies that exist today are traded on non-traditional “exchanges” that effectively play a plethora of roles but, ironically, not that of a real exchange. They are in effect brokers, custodians, settlement agents, lenders; all in a single vertical integrated entity. This is not acceptable for institutional investors—and a practice that regulators are pushing to change.

We are introducing services that are fit for the institutional investment space, by enforcing a robust segregation of duties and governance process, as well as security in the form of both legal and technical protection as demanded by the Regulator.

This gives institutional investors the confidence they require to enter into this market.

Hugh Hughes
CEO
Koine



Existing vertical integration also impairs the ability of investors to deploy their cash efficiently to multiple venues; to ensure timely settlement, you must maintain a cash balance at each venue, making the cost of funds unbearable.

Koine ensures interoperability across trading venues, allowing us to centralise liquidity management and deploy capital instantaneously where needed. Clients on the buy-side favour this because they have security of settlement with full protection of their cash at all times, as well as access to a multitude of trading venues.

Throughout 2019, Koine's offering will be enhanced to support securities and Security Token Offering. What are your plans for 2020 and beyond?

Roda: Our priorities are set by our clients: institutional fund managers prioritise over-the-counter venues, which they can rely upon to trade large quantities efficiently. Crypto “exchanges” are less of a priority to them, due to the potential for price manipulation.

Crypto assets are unregulated in most jurisdictions while intermediaries may not operate under the same market discipline that regulators would expect from traditional venues. It is a likely occurrence for the depth of book to disappear when orders are placed.

We target exchanges as they continue to evolve and realise that custody and settlement services are not core to their business model—and in fact, may impair it.

This trend is actually happening as we speak; most of the large exchanges are creating independent entities to provide custody services. Institutions welcome this; however, they require truly independent custodians and interoperable settlement services to reach a broader trading community.

Hughes: At Koine, we've got a great team and we're just about to go live. In September, we are planning to raise money for a big expansion, as we've taken on advisors to expand into America, the Middle East and the Far East.

Francesco Roda
Chief Risk Officer and Treasurer
Koine





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2016, 2017 & 2018

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Comings and goings at IHS Markit, Euroclear and more

Simon Martin is to join IHS Markit as a sales director for enterprise data management (EDM) and thinkFolio.

Based in Sydney, Martin will cover Australia and New Zealand sales and will report to Guillaume Rondy.

Martin currently serves as head of multi-sector and business development, Australia and New Zealand, HSBC.

Prior to HSBC, Martin worked at JPMorgan Chase as securities lending sales and relationship (vice president), South East Asia, Australia and New Zealand.

He has also served in various roles, including investment manager liaison representative and trade processing supervisor at Northern Trust.

Tom Regazzi has left Citi as co-head of prime finance, Americas and has been replaced by Cyril Dosmond.

Prior to Citi, Regazzi served as head of synthetic equity trading, Americas at UBS.

He has also worked at Barclays Capital and Lehman Brothers.

BNP Paribas Securities Services has appointed Randolph Burth as head of operations.

Based in Chennai, India, Burth will be responsible for investment and performance reporting, middle-office, market and financing services, asset management and reconciliation shared services.

He has served at BNP Paribas since 2009, where he was most recently head of financial transactions and corporate actions, India.

Prior to that Burth worked as head of operations, India, market and financing services.

Euroclear Finland has appointed Juha Leinonkoski as CIO, CTO and as a member of the executive committee.

Leinonkoski will replace Kamal Iberraken, who will step down as Euroclear Finland's current CIO/CTO. He joins Euroclear Finland from Oy Samlink Ab, where he has served as director of solutions and development services since 2012. Leinonkoski has extensive knowledge of financial software for both banking and investment management.

Commenting on his new role, Leinonkoski said: "When I was offered an opportunity to work at Euroclear, I was immediately ready for this new challenge. I've worked with investment management software for over ten years, and it feels great to return to this familiar business area."

Hanna Vainio, CEO, Euroclear Finland, commented: "I am delighted to welcome Juha Leinonkoski to the Euroclear Finland team. Leinonkoski has a good perspective of financial market infrastructure, and he will be effective in leading the Euroclear Finland IT transformation work. While welcoming Juha Leinonkoski to the team, I would also like to thank Kamal Iberraken for his invaluable contribution to Euroclear Finland over the past three and a half years."

Ogier has promoted Sophie Reguengo to partner, playing a central role in the firm's funds and regulatory offering.

Reguengo will join Niamh Lalor and Emily Haithwaite, making Ogier the first all-women led investment funds legal team in Jersey. As an advocate for women and equality in the workplace, Reguengo regularly speaks and writes on major industry topics.

Commenting on Reguengo's appointment, Lalor said: "We are delighted to welcome Sophie Reguengo to the partnership. Reguengo has built an excellent reputation in the industry, renowned for her technical ability and outstanding client services." **AST**

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