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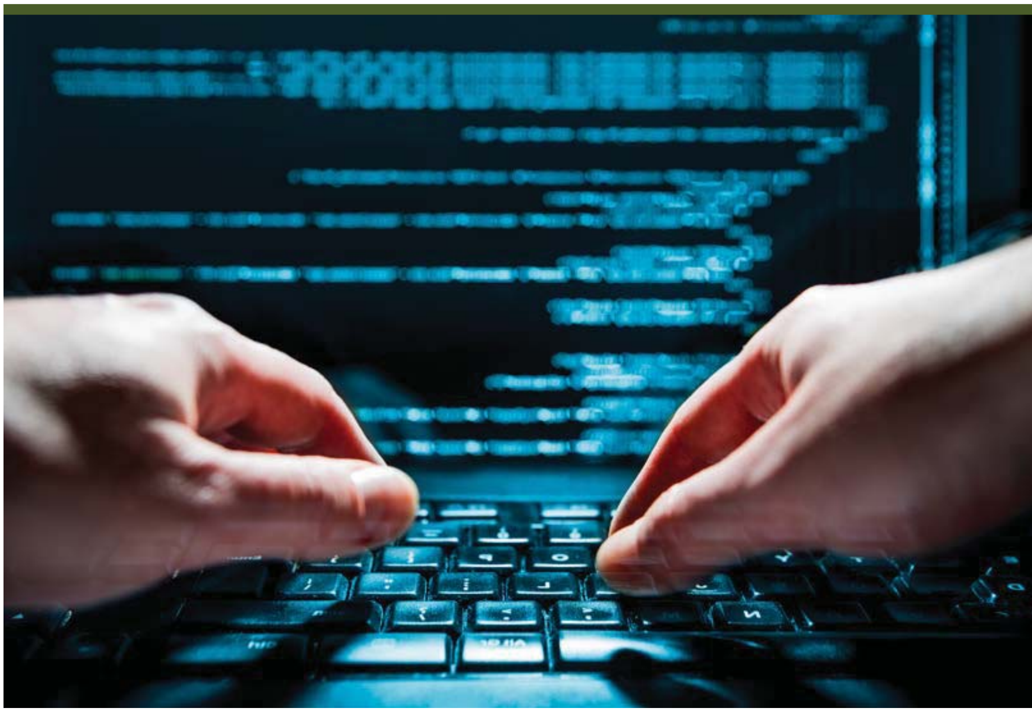

CFTC accuses Deutsche Bank of swaps data reporting violations

Deutsche Bank is facing charges of swaps data reporting violations after the US Commodity Futures Trading Commission (CFTC) accused the bank of reporting late and incorrect swaps data for multiple asset classes over a five-day period.

The CFTC is pursuing a civil monetary penalty and a permanent injunction against the bank for what it considers to be persistent violations of data reporting requirements.

In addition to the CFTC's civil complaint, the commission and Deutsche Bank have filed a joint motion seeking the appointment of a monitor to ensure Deutsche Bank's compliance with its reporting responsibilities under the Commodity Exchange Act and CFTC regulations.

The CFTC said it recognises Deutsche Bank's cooperation on this matter.

The civil complaint was filed in the US District Court for the Southern District of New York and claimed that the bank failed to submit any swaps data for some transactions.

The complaint also accused the bank of having an "inadequate" business continuity and disaster recovery plan.

The commission raised allegations that Deutsche Bank is in violation of a CFTC order from September 2015, relating to previous failures by the bank to report swaps data due to its faulty reporting infrastructure.

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Blockchain companies hot for investment, says Juniper

Venture capital investors have pumped $290 million into blockchain technologies and bitcoin companies in the first six months of 2016, according to Juniper Research, a digital commerce and financial technology analyst.

According to a Juniper report, The Future of Blockchain: Bitcoin, Remittance, ID Verification & Smart Contracts 2016-2021, although more than 30 start-up fintech companies received funding, more than a third of the total investment went into just three companies.

These were: social payment provider Circle; a 'sidechain' developer called Blockstream; and Digital Asset Holdings, the distributed ledger technology provider created by former J.P. Morgan executive Blythe Masters.

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PRIIPs KIDs a cause for concern

Financial services businesses are looking to technology and external consultants in order to cope with the tight turnaround on the regulation for packaged retail and insurance-based investment products (PRIIPs), according to a KNEIP pan-European regulatory survey.

The survey included compliance and regulatory executives in the asset management, banking and insurance sectors, and found that 85 percent are concerned about the time they have to prepare the key information documents (KIDs) required under PRIIPs.

The final regulatory standards for the PRIIPS legislation and the KIDs is due to be finalised in September, however the deadline for implementation is 31 December, giving firms less than four months to produce the mandatory documents required.

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The regulatory CIRCUS

Regulations have asset managers juggling more balls, and faster, than ever before. Something spectacular may be required to stay in the show. Todd Moyer and Tom Pfister of Confluence explain

How are the challenges of regulation and data management becoming more connected?

Todd Moyer: When I look at regulation, I see a data challenge. Regulations like the Alternative Investment Fund Managers Directive (AIFMD) have meant a big change in the alternatives space. The number of data points for reporting under AIFMD require multiple data sources from both internal and external systems, and that data coming in should really be rationalised.

We have found that there is a lot of opportunity for re-use across the reporting platform. When we looked at Confluence's core financial reporting capabilities, the amount of data that can be transferred for compliance with several regulations is over 70 percent.

We already provide core data on our platform, so the ability to extend that to meet the new regulatory requirements, and to use that data in a slightly different way was critical.

Tom Pfister: Addressing the regulatory and data challenges as one can reduce the incremental needs of every regulation, as asset managers already have a core set of data that they can use for all regulatory reporting, whether they know it or not. That makes it easy to extend the data set to meet a new regulation, rather than addressing it as a whole separate entity. It's a much more strategic, multi-purpose approach to the entirety of regulatory reporting.

How did the Confluence data management platform come about?

Moyer: It was a natural extension for what we were already doing. We had access to a lot of core data that we were just sitting on, and addressing the changes in regulation seemed to be the clear evolution to what we were doing.

Some companies have tried to manage this change without the help of new technology, but that's just not possible anymore.

As regulations are coming up so quickly, we are finding that some clients just can't physically meet the requirements in time. They can't replace their legacy technology and systems at the speed required. The Confluence data management platform takes the data in its native format and runs it through the application, producing the correct output in a timely manner.

Are a lot of asset managers finding it difficult to keep up with regulatory change?

Moyer: In terms of post-trade activities, regulatory reporting is onerous and very expensive, and a lot of firms feel like there must be a better and more efficient way to do it.

Regulatory reports that might previously have been submitted on a quarterly or semi-annual basis now need to be produced every 30 days. And its not just one regulation that requires attention and quick reactions—there are ongoing, and multiple, requirements within the market.

Pfister: All of these ongoing requirements are coming to head at the same time. If an asset manager practices cross-border distribution, it could have 40 disclosures to be completed quarterly, and they don't always play nicely together.

If you can't handle changes to all of these requirements at the same time, then you will end up not just with one problem, but with several very significant problems. This is where having a holistic approach to reporting starts to make a lot more sense, rather than looking at each requirement in an individual silo.

Are you seeing demand to move to a more holistic system? Where is it coming from?

Moyer: We are at an exciting period of change in the market, and transparency is more important than ever.

Getting a single, cohesive platform approach in place for this is critical. We tend to talk about regulation, but actually it is equally the institutional investors driving this demand—they want more transparency, they want access to their data, and they want to be able to see what is going on with their investments.

Asset management firms and fund administrators alike have to be able to react to that demand.

Investors and regulators are looking for the same levels of data transparency—although it may be very different in terms of where the data ends up and what it looks like. Whether through a third-party technology provider or something built in-house, the ability to make use of the data within your platform, to harness it and re-use it through multiple avenues, is invaluable.

Is it becoming more difficult for asset managers to run effective data management systems in-house?

Pfister: Asset managers are certainly examining their competencies. Some companies are asking themselves whether they are an asset manager or a technology company—they can have as many people in the front office as they have building the software to support their funds.

They have to consider what their business is and what they're good at, and in the asset servicing realm they have to consider what they want to build themselves and what they could hand over to a vendor to get operations to market faster.

That change is driven by cost pressures as well. Downstream, providers are demanding more effective and cheaper services, and there are always internal revenue requirements. Companies have to look at the business and assess what technology, service providers or people they could use to get the business running as smoothly as possible.

Moyer: The trend towards outsourcing will definitely continue the more complex and the more extensive internal and external requirements get. That's something we have seen and will continue to see.

The dynamic can be different, however, depending on how a firm manages its outsourcing. It could allow a third-party administrator or provider to handle the back-office operations, while keeping any components that are important to that particular asset manager in-house.

Equally, it could use a technology provider to provide a small part of a service, but not necessarily all of it. That's the kind of thing that asset managers are starting to analyse at the moment.

Should asset management clients have a right to view and amend their own data?

Moyer: There will be a continuation of the demand for transparency. Investors are demanding the ability to understand their data more holistically. I think it's partly representative of a new generation of investors—people have access to information from so many different angles. You can't avoid that transparency, that's just the reality of the industry now.

The change hasn't been a total surprise, it has been coming for a while. We have been working on this for several years, and it's exciting to launch a platform that doesn't only look at regulation, but also at increasing speed-to-market and transparency, and helping asset managers meet demands from regulators and investors alike.

Pfister: The idea that in ten years you will be able to get away with 60-day quarterly reporting to investors is just not viable. People simply won't buy from that kind of organisation any more. **AST**

Todd Moyer
Executive vice president for global business development
Confluence

Tom Pfister
Global head of regulatory reporting solutions
Confluence