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Custodians urged to take up SSI challenge

By Heather McKenzie

Custodians are being urged to adopt a standardised utility model for the management of standing settlement instructions (SSIs) in order to resolve ongoing challenges such as high costs and risks for buy side firms. In a survey published today, *Standing Together: An Instruction to the Investment Industry*, US-based research and consulting firm Tabb Group said SSI operations continued to be "a cumbersome and expensive distraction" for the buy side despite the fact that nine in ten firms were already using a central utility model in some way.

The survey of representatives from 150 global investment management firms reveals that missing and incorrect SSIs cause at least 20 per cent of all trade fails, amounting to significant operational costs and risk exposures for investment management firms. Nearly every firm surveyed experienced some level of trade fails due to incorrect SSI information.

By centralising and standardising SSI management, investment managers could reduce the time and costs spent on exception handling by as much as $1 million-$2 million per year in operations costs.

Although the majority of investment management firms still choose to self-manage SSIs, opinion across the industry is nearly unanimous, according to the survey, that custodians can and should maintain SSI data on their buy side clients' behalf.

"Investment managers can now hand over operational responsibility to custodians via platforms that collaboratively link all parties to a trade, or outsource the process entirely to a non-custodian third party," said the report. As the utility approach becomes even more pervasive, investment managers will expect custodians to leverage the resulting efficiencies and take over management of this non-core (to an investment manager) function. "With the methodical approach the industry is taking to address certain legacy issues and roll out the central utility model to ever-expanding numbers of instruments and geographies, a pain-free SSI vision is at hand."

Tabb Group says investment managers globally are making their wishes known to their global custodians and are pushing them to build on the industry's collaborative data management and communication platforms. This will enable the firms to offload SSI maintenance while retaining data ownership and ensuring the custodian manages the SSIs to their requirements.

Paula Arthus, managing director and head of Omgeo and data services, a subsidiary of the Depository Trust and Clearing Corp, which commissioned the report, said: "We have always recognised that the burden of managing SSI data has been challenging for the buy side. It is a labour-intensive task, which can be more efficiently managed by the global custodian community."

"T2S benefits will become more apparent as the migration waves progress"

Satvinder Singh, Deutsche Bank

IN THIS ISSUE

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SURVIVAL OF THE FITTEST

The threat of cybercrime shows no sign of diminishing any time soon, but to what extent can market infrastructures and financial institutions protect themselves against hacking attacks? *Antony Peyton* and *Heather McKenzie*

It seems nothing is truly safe in the world. The internet, newspapers and our TV screens constantly bleat about street crime or the world falling apart. It's not a pretty picture. Unfortunately, the financial technology world also has its problems and can't be too complacent – all because the spectre of cybercrime casts a long shadow over the industry.

In a recent Depository Trust and Clearing Corporation (DTCC) survey, cyber risk topped the table of five main concerns, with 70 per cent ranking it and 37 per cent listing it as their number one concern. Stephen Scharf, managing director and chief security officer at DTCC, says: "Comprehensive security programs will need to continually evolve as they devote more resources to an ever-changing systemic risk landscape."

With market infrastructures, such as central securities depositories (CSDs), payments clearers and financial institutions all under threat, intelligent solutions and ideas are thankfully on hand. This is where the Committee on Payments and Market Infrastructures (CPMI) and the Board of the International Organisation of Securities Commissions (Iosco) come in. In June this year they released a 32-page report, *Guidance on cyber resilience for financial market infrastructures*.

The report is the "first internationally agreed guidance on cybersecurity for the financial industry", according to the CPMI and Iosco and has been developed "against the backdrop of a rising number of cyber

> “In a security culture, everyone working within the organisation has personal buy-in to security and recognises that they are responsible for safeguarding against breaches. By encouraging the reporting of mistakes or breaches quickly, the impact on clients can be reduced”

Christophe Clément, Societe Generale Securities Services

attacks against the financial sector and in a context where attacks are becoming increasingly sophisticated”.

Some recommendations include “governance is key” and the need to “instil a culture of cyber risk awareness”. When it comes to governance, the board’s and senior management’s attention is “critical” to a successful cyber resilience strategy; while for awareness, cyber resilience needs to be looked after at every level within an organisation.

It’s good advice, but companies need to implement and adhere to it all.

It would be remiss at a Swift event not to mention its attitude to the cybersecurity conundrum. Few would have missed the stories about Swift and the spate of thefts in which banks’ access to the SwiftNet FIN network was used to execute the crimes. These incidents included a $101 million cyber heist in Bangladesh – the biggest in history, Vietnam’s Tien Phong Bank stopping an attempted wire fraud and Ecuador’s Banco del Austro losing around $9 million.

In light of these dark events, Swift chief executive Gottfried Leibbrandt warns banks with inadequate cyber defences they could find themselves booted off Swift’s network. “The days when you needed to break into a bank and carry guns and blow torches are over,” he says. “You can now rob a bank from just your own PC and that does change the game completely.”

Although he has strong words for the weak, there was nothing empty in the sentiments Leibbrandt expressed. Swift took action and unveiled a five-part plan to reinforce security across its network after the incidents. In its Customer Security Programme, Swift asks a great deal. Namely:

- Improve information sharing among the global financial community
- Harden security requirements for customer-managed software
- Enhance guidelines and develop security audit frameworks for customers
- Support banks’ increased use of payment pattern controls to identify suspicious behaviour
- Introduce certification requirements for third party providers

In August, eight US banks – Bank of America, Bank of New York Mellon, Citi, Goldman Sachs, JPMorgan Chase, Morgan Stanley, State Street and Wells Fargo – teamed up to fight cybercrime by initially agreeing to share information. The alliance will also make it possible for the banks to jointly prepare and conduct ‘war games’ to test cybercrime fighting tactics.

Jean-François Legault, managing director, global head of cybersecurity operations, JP Morgan Chase, is clear on the solutions that are required. The bank is “working closely with clients to provide enhanced education around cyber safety and payment controls through a combination of webinars, events and other channels”.

This educational approach is at the core of what the bank does. JP Morgan Chase is “driving awareness around identifying, understanding and mitigating threats” and wants all its employees to be “well-educated on the subject of cybersecurity”.

Christophe Clément, head of operational risk management and permanent control at Societe Generale Securities Services, (SGSS) says a risks control framework is necessary and mandatory and that a “security culture” is essential for banks.

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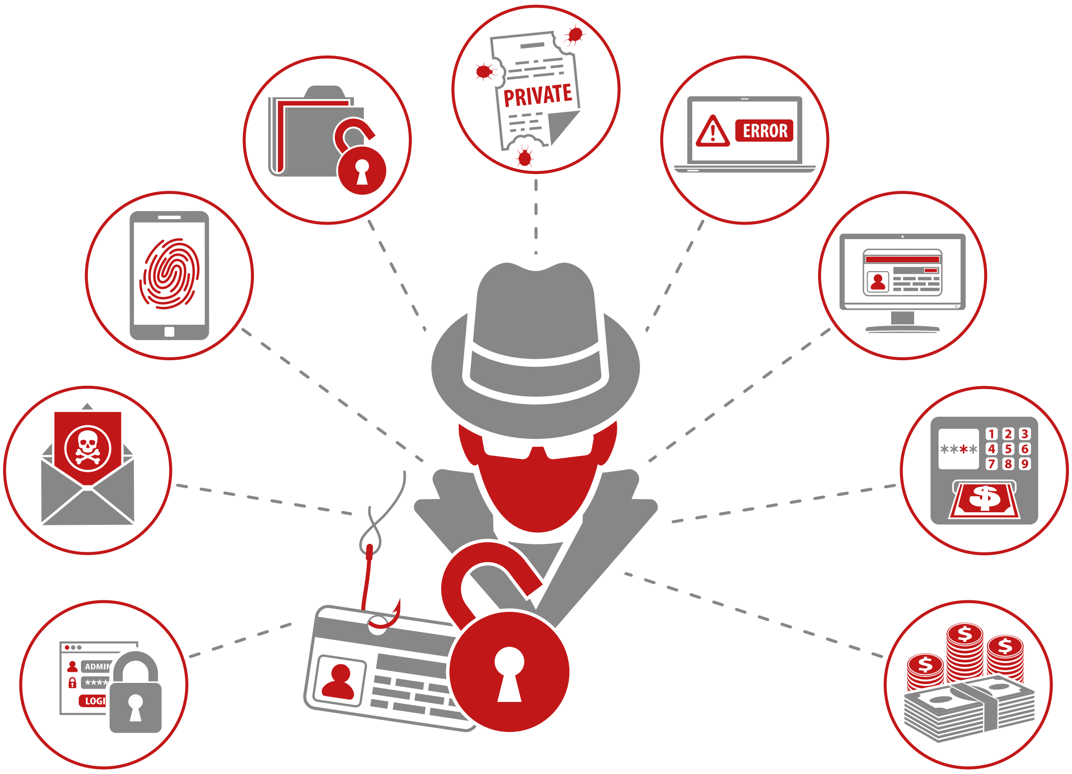
"In any professional environment, culture is the result of the combination of the values expressed by the organisation and our concrete daily life at work, especially the way employees interact with each other and their managers," he says. Banks with a strong client culture will also have a strong security culture because all of the teams know that any incident might have an impact on clients. "This culture has to permeate throughout the institution, including its subsidiaries and locations around the world. All staff must be committed to a security culture because they are committed to client service. I was deeply impressed to note how team spirit was put into action in all locations and the commitment SGSS teams demonstrate to avoid inconvenience for our clients when serious issues are met."



One of the most important elements of a security culture is that staff should be comfortable with raising security-related issues, he says. "Staff should be able to easily report anomalies, mistakes or their concerns about particular practices without delay and without censure. The dialogue between staff and managers should be open and easy. In a security culture, everyone working within the organisation has personal buy-in to security and recognises that they are responsible for safeguarding against breaches. By encouraging the reporting of mistakes or breaches quickly, the impact on clients can be reduced. That also means that an operational mistake can be pardoned if it is promptly and clearly reported."

Increasingly, chief information security officers and others in similar roles in the banking industry are working together to share ideas about common threats and also the technology to improve security, says Clément. "For security in particular, team spirit between our firms is an added value for all; we are approaching a period when banks will play as a team globally to strengthen the fight against security threats."

Financial institutions are in the business of trust, and security should be in their DNA, he adds. "Obviously, financial services providers must invest in the technology

One of the most important elements of a security culture is that staff should be comfortable with raising security-related issues

and in the experts necessary to protect the organisation from security breaches and also to rapidly detect new threats and incidents; but if a security control framework is a necessity, security culture among staff is essential."

Shabirin Binhan, risk consultant at NetGuardians Asia, says the "advancement in technologies such as in the areas of artificial intelligence, big data and analytics have helped in availing new methods to mitigate and repudiate cyber attacks". NetGuardians develops risk mitigation software.

The challenge to overcome cybercrime has almost turned into an arms race, he adds. The technology must be better than the hackers' 'weapons' and the action needs to be proactive, not reactive. Some solutions could involve internal controls based on pattern-based intelligence, user behaviour and predictive analytics combined with big data technology. These are then able to analyse seemingly uncorrelated actions in coherence and bring insights to detect anomalies or threats at an early stage.

Binhan says this ensures continuous monitoring and auditing of human behaviour across entire banking systems, with immediate alerts when control breaches occur. "Only then, cybercrime can be combatted in a proactive and effective manner."

Everyone knows that no measures can be fool-proof or absolute in solving the scourge of cybercrime. But the answer may well require a ruthless streak (which is not difficult in the business world).

If you're doing more than the competition, the hackers may well target the weak. **DNS**

DOING REGTECH RIGHT

Regulation is likely to be a hot topic at Sibos, both inside and outside of conference sessions. *Dan Simpson** assesses the main regulatory themes for this year's event

So far 2016 has been one of the most contentious years since the G20 agreed the regulatory reform agenda seven years ago. With ever-rising costs, increasingly severe penalties and continued issues with data quality, it would be easy to claim the plans conceived in the wake of the crisis are not going to get us to safety.

As politicians, courts, regulators and firms wrestle with the same issues, we see a rare window of opportunity for 2017 to become the year we all started to work together.

Why? Well, when we step back and look at all the dynamics, everyone should understand by now that their only hope is to work towards alignment and use new regulatory technology (regtech) to deliver what is required to meet key challenges including Brexit, Mifid II, Regulation on Packaged Retail and Insurance-based Investment Products (Priips) and the Benchmarks Regulation.

Brexit

The voting public of the UK have made their decision and the country will leave the European Union (EU). Where do financial services firms stand now? The threat of Brexit represented a major exercise in project management and speculative forecasting.

As a starting point, in May JWG published a 26-page research paper, *Brexit: changing out the engine of finance*, within which we discussed the operational and procedural implications of Brexit on the financial services industry.

This report included a ten-point action plan that every firm should implement to successfully manage the 'mother of all change programmes':

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■ **Organisational gap management.** The process of mapping future rules to the current operating model and identifying the gaps will be a complex task that must be started early

■ **Regulatory change management capability check-up.** The board should ask senior managers to flex their change management muscles and see if they are strong enough to withstand even the worst-case scenario

■ **Brexit risk tracker review.** Senior management should be creating a comprehensive impact assessment to account for the many types of risk: market, counterparty, liquidity, operational, vendor and legal

■ **Regulatory change portfolio management.** The way change programmes are run across business and functional silos will need to be reviewed and gaps filled quickly

■ **Rule interpretation factory.** Establishing a system for interpreting the obligations will be essential, as new rights and responsibilities, which were previously guaranteed under the EU's regulatory regime, come in to play

■ **Collaborative working groups.** As the entire market faces the same obstacles, a collective response could allow firms to develop a clear and unified voice in dealing with Brexit issues

■ **Regtech strategy.** Developing a comprehensive strategy for regtech will be essential in managing the rewiring effort

■ **International standards management.** Reconciling international standards, along with equivalence requirements, will necessitate continuous efforts by businesses

■ **Professional services lock-in.** Obtaining high-quality advice is essential. Therefore, getting commitment from the top legal, physiological and change management professionals early will be key

■ **P&L revision.** Firms should prepare to spend more. Costs will increase across all departments, so budgets and forecasts will need to be amended to account for a worst-case scenario

Ultimately, we must conclude that this decision makes regulatory change management more complex and more difficult. In the wake of Brexit, the industry must review how it manages regulatory change and the need for a regulatory change management platform has never been greater.

Mifid II

The revised European Markets in Financial Instruments Directive (Mifid II) looms over the regulatory horizon like an oncoming storm.

Aiming to improve the safety and transparency of financial markets, Mifid II reaches far beyond investment banks, affecting asset managers, commodity firms and OTC brokers and dealers. In terms of depth, the regime will fundamentally reshape the way business is done, from requiring comprehensive audit trails and full surveillance of the trading lifecycle to assessing the suitability of clients before any marketing takes place.

It is for these reasons that the industry must together adapt and evolve to comply with Mifid II. The current legacy systems favoured by most institutions will not be able to cope with the changes ahead. Indeed, even the regulators have had to delay Mifid's implementation due to the sheer scale of the IT system restructuring required.

A key area the industry should collaborate on is transaction reporting, where the duplicity and inconsistency of fields and formats will surely cause the greatest headaches on implementation day. JWG analysis of the 687 transaction reporting fields used across Mifid II, the European Market Infrastructure Regulation, Regulation on Energy Market Integrity and Transparency and Securities Financing Transactions Regulation suggests that about 40 per cent of these fields are related to the same ››


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facts, of which field definitions are similar for around 63 per cent and formats broadly align for 58 per cent of these common fields. Clearly, if the industry were to work with the regulators to produce a common reporting format for all these regulations, it would save time and resources on both sides; let alone achieving the desired goal of enhancing financial stability through reducing the occurrence of the 'garbage in, garbage out' phenomenon.

But it is not only Mifid II that compliance professionals must worry about. The relentless march of change continues in Europe, with Priips, Market Abuse Regulation and Benchmarks Regulation all disrupting business models and introducing tough new standards. The buy side too continues to wrestle with its own waves of reform: Ucits V, Alternative Investment Fund Managers Directive, regulation on European venture capital funds, European social entrepreneurship funds and, of course Mifid II and Priips – all of which are on the 2016 work plans.

Priips

In recent months, there has been a great deal of lobbying by the industry to delay the implementation date of the Priips regulation. The aim of the regulation is "to encourage efficient EU markets by helping investors to better understand and compare the key features, risk, rewards and costs of different Priips, through access to a short and consumer-friendly key information document". The formal request for postponement by representative bodies of EU banking, insurance and asset management industries in late April 2016 was rejected on 18 May 2016 by the European Commission (EC).

This refusal to delay the implementation deadline means that firms providing investments or investment services to retail markets within the EU must quickly get to grips with the regulatory technical standards that recently have been adopted by the EC. They must continue with their implementation programmes if they are to meet the 31 December 2016 deadline.

Considering the upcoming application deadline of the Priips regulation and the overlap of this with Mifid II, many firms are looking to see whether they can align their regulatory change programmes between the two regimes.

Benchmarks Regulation

Benchmarks and indices are vital tools for assessing the underlying price of financial instruments and contracts as well as for measuring the performance of investment funds. Despite this, recent Libor and Euribor scandals have exposed how vulnerable to manipulation these instruments are.

In the light of these events, the EC produced a benchmark regulation, which seeks to re-establish reliability of benchmarks by providing a consistent approach to their creation, improvement in the quality of input data and the introduction of adequate controls to avoid conflicts of interest. This is likely to create huge definitional and reference data challenges for firms across the industry. The implementation deadline of January 2018 places the Benchmarks Regulation right in the middle of the Mifid II implementation timeframe.

The Regtech solution

This huge strain demands new and dynamic solutions, old strategies of a project by project sticking plaster approach look increasingly out of date. In this light regtech stimulated by the regulator has a real opportunity to provide a path to safety:

- **The regulators' engagement.** The participation of regulators is critical to overcoming the current regtech market failure and reducing the billions that will be spent on Brexit. At a recent JWG conference 70 per cent of those present said their participation was critical to overcoming the current regtech market failure
- **Collaborative appetite at an all-time high.** The sharing of code, data models, emerging practices and standards must be top of the agenda for senior management as this will be needed to overcome the complexity of meeting overlapping requirements and unclear interpretations
- **Data standard working groups.** Collaborative working groups backed by the regulators represent the best path forward for the development of data standards

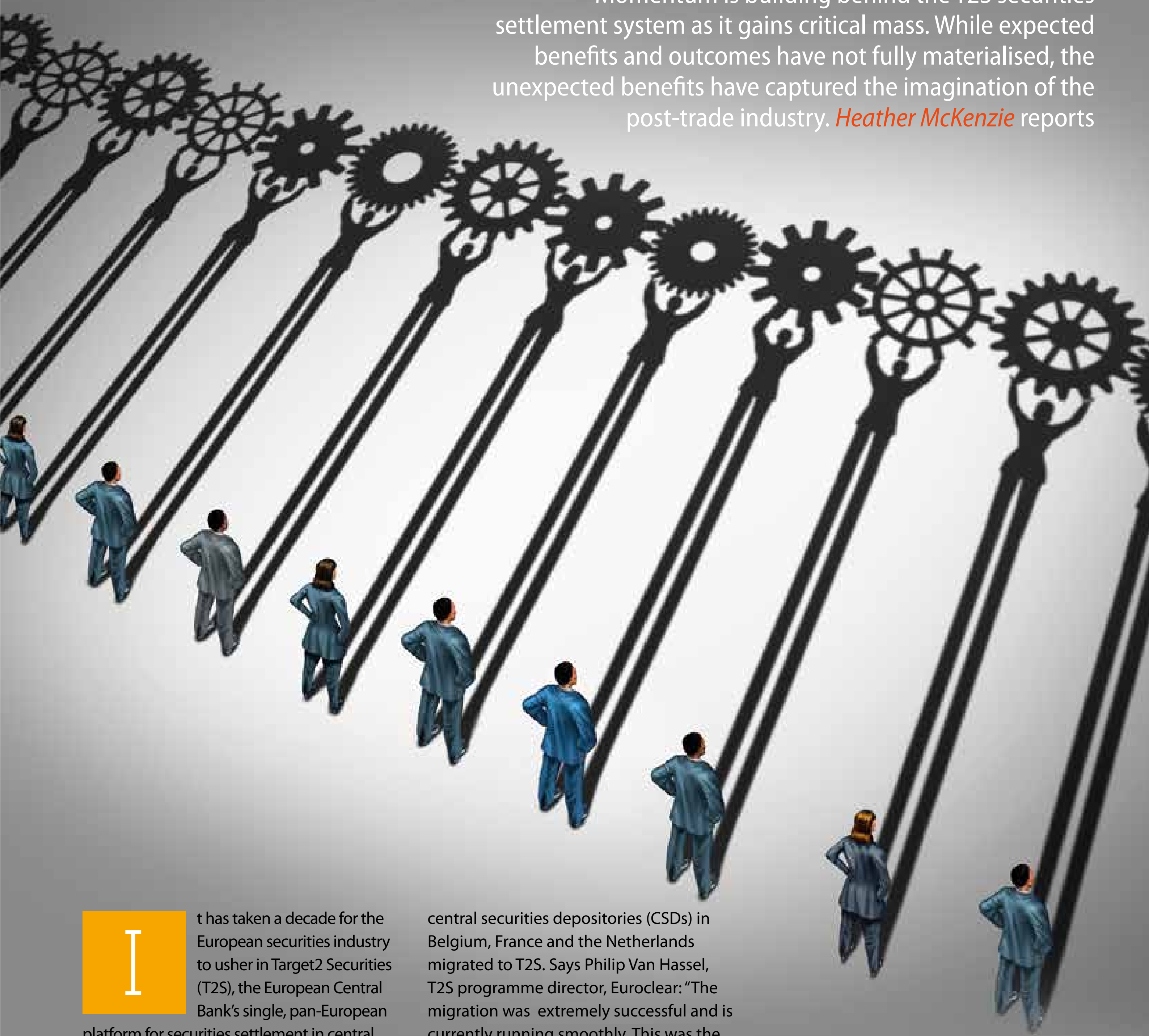
A real risk remains that regulatory appetites are too low for meaningful participation in the crucial foundational efforts. Without them at the regtech working parties, the market will take years to come together and we will miss the opportunity afforded by spending tens of billions on G20 reform over the next 24 months.

Looking ahead we have a real 2017 opportunity. If we come together to do regtech right, politicians can appease their constituents, regulators can sustain their massive rulebooks and firms can comply with these rules in a better, faster and cheaper manner. DNS

** Dan Simpson is head of research at JWG, an independent analyst firm specialising in financial regulation*

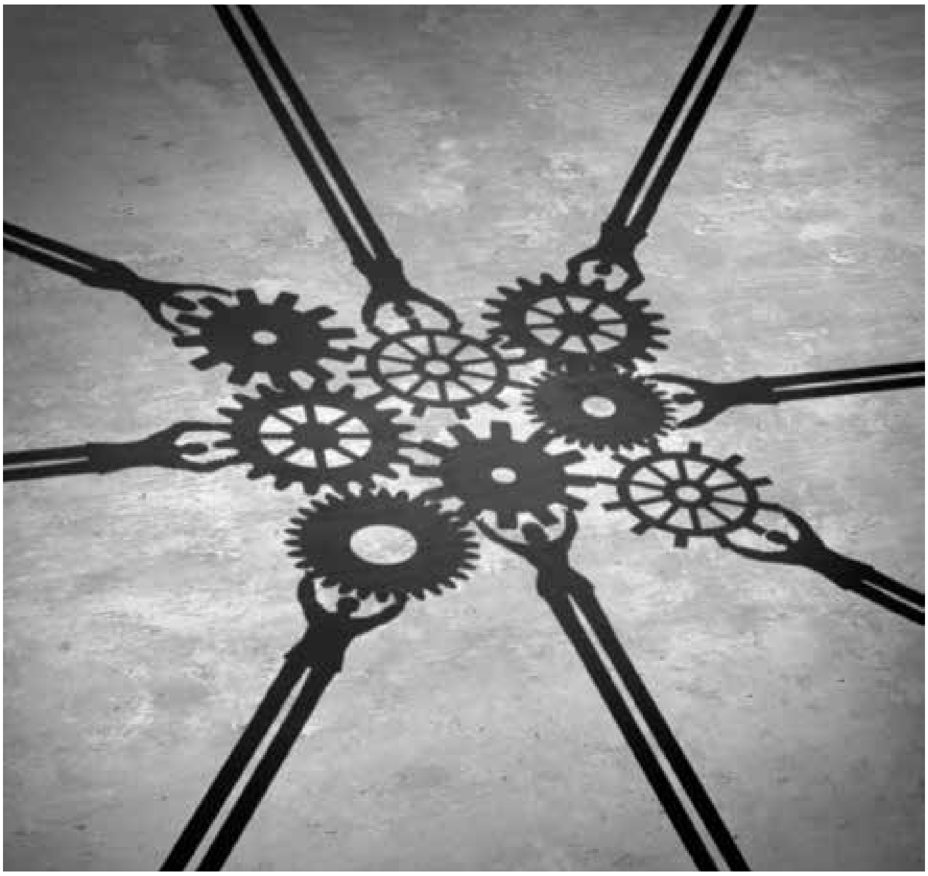
A MOVING TARGET

Momentum is building behind the T2S securities settlement system as it gains critical mass. While expected benefits and outcomes have not fully materialised, the unexpected benefits have captured the imagination of the post-trade industry. *Heather McKenzie* reports



It has taken a decade for the European securities industry to usher in Target2 Securities (T2S), the European Central Bank's single, pan-European platform for securities settlement in central bank money. T2S has been costly; the ECB estimates the migration and running phase of the project will cost it €9.3 million annually between September 2014 and September 2021, while the four central bank operators of the platform will spend €50.7 million.

Earlier this month a critical mass of settlement volume went live as Euroclear's central securities depositories (CSDs) in Belgium, France and the Netherlands migrated to T2S. Says Philip Van Hassel, T2S programme director, Euroclear: "The migration was extremely successful and is currently running smoothly. This was the result of a lot of hard work on the part of the Eses markets and all stakeholders including the CSDs, national central banks and the ECB. The entire market was well prepared for this migration." He describes T2S as a project that has good interaction between all of the players involved, with disciplined and well-maintained dialogue. "I think the industry ››



has been helped by the T2S governance structure because the rules have been very explicit right from the start."

The next significant migration comes in wave four in February next year as Clearstream Banking Germany joins the platform. The organisation welcomed the successful Euroclear migration and says T2S is gaining momentum. "With its own migration drawing near, Clearstream is making sure that it is in constant communication with its customers, and together with them is looking forward to its own smooth and successful migration in February 2017." To date, Clearstream has organised three migration weekend dress rehearsals together with Swift, the ECB and other wave four CSDs and national central banks. "During these tests, all internal targets concerning performance, stability and data quality were fully achieved. The results of these tests therefore confirm Clearstream's technical readiness for T2S."

Market participants are hoping that with the fifth and final wave of migration in September 2017 the benefits of T2S will really start to kick in. Tom Casteleyn, head of product management for custody, cash and FX at BNY Mellon, says Euroclear's migration, the third wave of migration, "represents a tipping point which will enable the market to evaluate whether the T2S project justifies the investment companies have made in the platform". The Euroclear migration, he adds, provides the first meaningful picture of the project's capabilities.

"The focus of the industry is no longer just about fees. There is a greater awareness that liquidity and collateral benefits can be realised within T2S"

Satvinder Singh, Deutsche Bank

The successful migration of Euroclear's CSDs and of the VP CSDs in Denmark and Luxembourg will give the market confidence to push ahead with T2S initiatives, says Casteleyn. "It will also allow custodians to develop the products and services that will facilitate more efficient clearing, settlement and collateral management."

Alan Cameron, head of relationship management, international banks and brokers, BNP Paribas Securities Services, says global custodians and asset servicers have been more innovative than investment banks and broker dealers when it comes to T2S. They have changed business models in order to take advantage of the opportunities T2S will bring and regional European banks in particular have engaged very strongly with T2S.

A survey of 50 'thought leaders' conducted in May by BNP Paribas found that only 2 per cent of respondents could identify a clear improvement since the launch of T2S, while 72 per cent said there had been no improvement. However, when asked whether T2S would change post-trade in Europe after it is fully implemented, 48 per cent said they expected a clear improvement.

"Our survey showed there is cautious optimism in the industry about T2S; people appreciate it is a long-haul project but that it will ultimately deliver benefits once all three of the main markets have migrated on to the platform," says Cameron. "Initially the expectation around T2S was about settlement cost savings. But as time has gone on, the industry has realised that the real cost savings from T2S will be delivered by changes in operational procedures – financial institutions know they will not get benefits unless they take action."

Satvinder Singh, head of Global Securities Services and of GTB Emea ex Germany at Deutsche Bank, describes T2S as a journey. "The benefits will become more apparent and relevant as the migration waves progress. While some settlement fees have reduced, an objective of T2S, other CSD costs have increased. But the focus of the industry is no longer just about fees. »

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De-risking in Africa

Correspondent banking enables banks to access products and services which might otherwise be unavailable. By enabling cross-border transactions and access to overseas products, correspondent banking plays an important role in the global payments landscape.

Increasingly, however, banks around the world are reviewing and rationalising their correspondent banking relationships. This trend, known as de-risking, is primarily driven by concerns about meeting regulatory obligations in areas such as anti-money laundering (AML) and counter-terrorist financing; another contributory factor to this dynamic is the cost associated with maintaining multiple relationships.

THE IMPACT OF DE-RISKING

The impact of this de-risking trend is felt in a number of regions, including Africa. Research published by The World Bank in November 2015, *Withdrawal from Correspondent Banking*, found that more than half of the banks surveyed reported a moderate or significant decline in their correspondent banking relationships in Africa.

Meanwhile, SWIFT data shows that many countries in Africa have experienced a reduction in their foreign counterparties – in other words, the foreign banks with whom African banks transact overseas. South Africa, for example, lost more than 10% of its foreign counterparties between 2013 and 2015. In Angola the decline was even steeper, with the number of foreign counterparties dropping by 37% in two years.

De-risking can have significant consequences for the affected countries. Cross-border trade may be significantly impeded if countries are cut off from the global financial system. Products and services such as international wire transfers, cash management services and trade finance may become difficult to access.

For individual banks, the prospect of being de-risked presents a number of challenges. While some banks may be able to secure alternative banking partners, others may find themselves cut off entirely. Moreover, securing new relationships takes time and money and banks may find discover any new arrangements are based on less favourable terms and conditions.

UNINTENDED CONSEQUENCES

Banking customers may also be adversely affected. Without access to correspondent banking services, businesses and individuals may be unable to import goods from overseas; in turn, problems with the supply chain could push some businesses into distress and lead to greater levels of unemployment. In some cases, consumers may be unable to send remittances to family members overseas.

Reduced access to traditional banking channels may force people to find other ways of making and receiving payments, such as using informal money services or, indeed, physically transporting cash across borders. However, these unregulated channels may bring additional risks and leave people more vulnerable to criminal activity. A shift away from traditional channels could even create additional opportunities for money laundering and terrorist financing activities to thrive.

There could be further unintended consequences. A recent paper from the Committee on Payments & Market Infrastructures (CPMI) demonstrates that while the number of active correspondents is shrinking, the volume of transactions is still rising, showing that as one part of the banking network becomes unavailable payments find another route. Taken together, the decrease in the number of active correspondents and the increase in volumes suggest heightened concentration of banking relationships, a trend which may have implications for the financial industry's systemic health.

ADDRESSING THE ISSUES

At the industry level, different approaches are being explored to overcome these issues. Greater levels of collaboration and information sharing between banks, regulators and law enforcement may help, with bodies such as the Committee of Chief Compliance Officers of Banks in Nigeria (CCCOBIN) helping to foster co-operation. For individual banks, meanwhile, there are a number of steps that can be taken to reduce the likelihood of being de-risked, or to mitigate the impact of de-risking if such an outcome is inevitable.

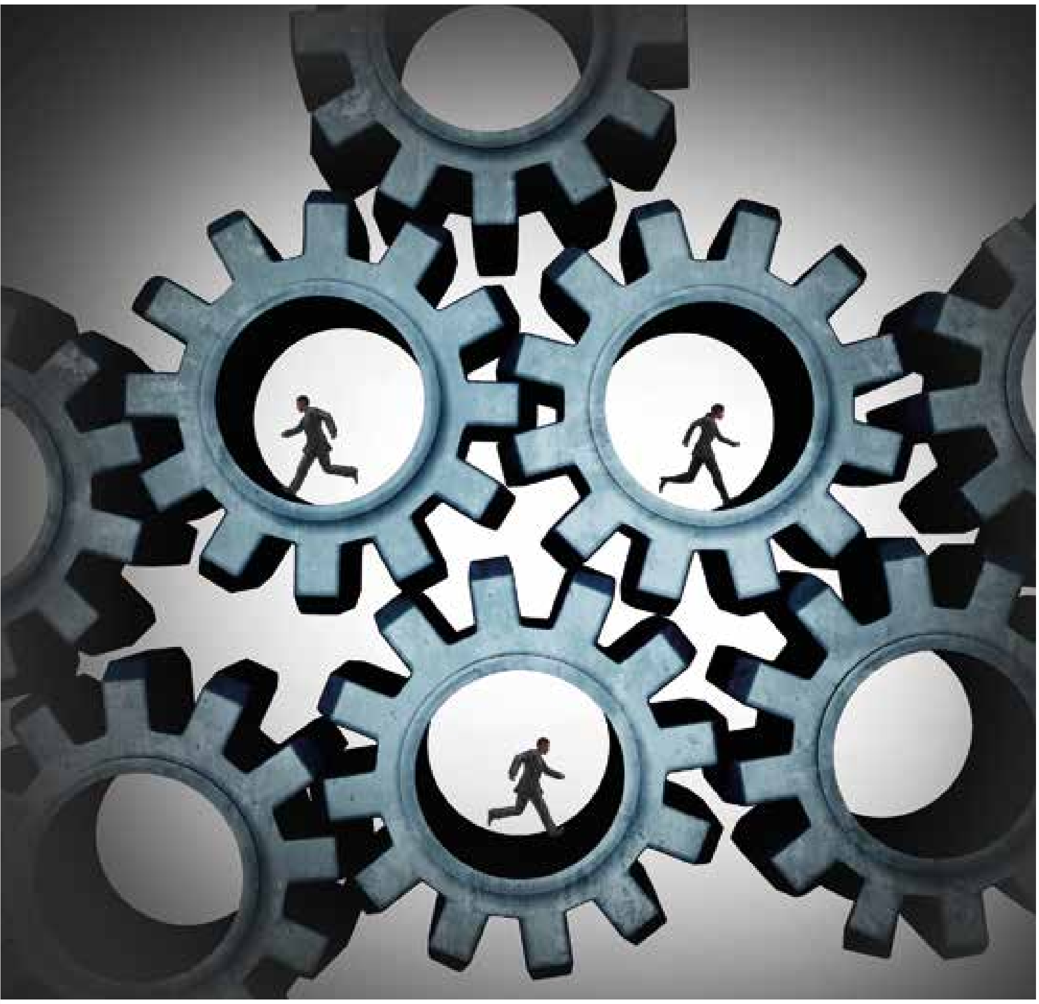
First of all, banks should understand why they may be de-risked. Factors such as the political and economic landscape in specific African countries will certainly be part of this equation. However, it is also becoming clear that banks are more likely to be affected if they provide insufficient transparency over their activities, business lines and behaviour, or if they provide such information in an inconsistent way. The more difficult it is for correspondents to access know your customer (KYC) or AML information, the greater the cost of doing business with a specific bank becomes.

In order to address this issue, banks can put measures in place to improve both their transparency and the consistency of their information. For example, a specific individual or department can be tasked with creating a gold standard data set. This data set can then be sliced and diced in different ways before being shared with the market.

Compliance controls such as transaction screening can be used effectively, while steps can be taken to reduce the due diligence costs incurred by correspondents. Any strategies adopted should also be communicated effectively to correspondent banks.

Industry utilities such as SWIFT's KYC Registry can help by acting as a repository of up-to-date information. With more than 2,500 financial institutions already signed up, the Registry enables banks to provide validated information on a one-time basis, making it cheaper and easier for their correspondents to access the information they need.

Such strategies are not guaranteed to succeed. In some cases, a bank will not be able to avoid being de-risked, regardless of which processes and strategies are put in place. However, by becoming more transparent about their activities and compliance measures, banks may be able to reduce the likelihood of such an outcome – or, indeed, increase their chances of securing alternative arrangements if they are de-risked.



There is a greater awareness that liquidity and collateral benefits can be realised within T2S."

The BNP Paribas survey identifies this change in emphasis in the industry. Many post-trade industry participants believe that rather than going down, settlement costs may rise in the short-term as the costs of T2S development are recouped.

T2S seems Teflon-coated; delays in the roll out and the likelihood of increased settlement costs have not fazed the post-trade industry. Rather, the benefits that will be delivered around liquidity and collateral management are considered so attractive they have negated the challenges that have been met on the road to post-trade centralisation.

Hugh Palmer, director, business solutions, core custody at Societe Generale Securities Services, says the delays to the project (specifically Euroclear's delayed migration) have given market participants more time to test, train staff and make internal and external operational changes. The downside is that there is an increase in project costs, which in a competitive environment cannot be passed on to customers. He believes smaller custodians may struggle with this. "There also has been a stagnation in terms of market dynamics as a number of clients have adopted a wait and see approach. Some of these organisations may thus not make any T2S related moves until mid-September 2017."

BNP Paribas' Cameron believes the liquidity management aspect of T2S – which was not anticipated at the beginning of the project – is becoming more important. "The benefits are spread across the T2S user base; both broker dealers and global custodians will have better visibility of their liquidity and will be able to manage this better."

The greater efficiencies that will be delivered by collaborating with a regional provider who leverages a single central bank cash account could result in liquidity savings of between 25-30 per cent, says Singh. About 75 per cent of settlement volumes have moved into the overnight cycle, reducing intraday liquidity requirements; a significant gain for Deutsche Bank and its clients, he says. "T2S features such as auto and client collateralisation will also enable providers like us to further enhance liquidity through collateral mobility, reducing the pressure in the marketplace on high grade collateral."

More efficient services enabled via T2S also supplement compliance with regulatory requirements, adds Singh.

The ability to pool settlement liquidity in central bank money from multiple markets in one single account will enable financial institutions to redesign funding models, says SocGen's Palmer. The French bank is doing this both as a custodian and as an investment bank at group level. "Our model will reduce the fragmentation of settlement and liquidity pools, which is a response to the Basel III requirements," he says.

Tony Freeman, executive director, global industry relations at Omgeo, says the collateral management aspects of T2S are an "unforeseen benefit" of the platform. "The impact of an increase in settlement costs will be marginal versus the increased efficiency and automation that will be possible with collateral management transactions, which are very high cost, very manual and operationally risky."

T2S will introduce a huge amount of variability in the post-trade world, says Singh. Service providers need to adopt an open architecture, plug and play approach to give customers the flexibility to choose a solution that is right for them. "There is no one solution we present to customers – we can offer asset servicing only, account operator, or any other combination. T2S is providing a very advanced infrastructure for Europe."

Euroclear's Van Hassel adds: "We are now in a new world and it is great to have finally arrived. In this new competitive world, both existing and potentially new market participants will have to reposition themselves to remain successful. Euroclear has developed its service offering to make sure our clients can access post-trade facilities in as flexible a way as possible." DNS

A GOURMET'S DELIGHT

As Sibos returns to Geneva it has found one of the world's top cities in terms of quality of life. Geneva's picturesque surroundings include plenty of top quality restaurants, bars and nightclubs. *Heather McKenzie* reports

For many Sibos veterans, this year will be their third Geneva Sibos. The city isn't exactly a byword for entertainment: some may say it is a bit dull. This may be hard to believe given it hosts a large number of international organisations including United Nations agencies and the headquarters of the International Committee of the Red Cross and the Boy Scouts. All those diplomats and civil servants have, seemingly, failed to create a vibrant atmosphere.

Situated on the shores of Lake Geneva, the city has a population of just fewer than 490,000. In 2015 Geneva was ranked eighth in the Mercer Quality of Living Survey, lagging other European hotspots such as Vienna, Zurich, Dusseldorf and Frankfurt. To be fair, recreation is only one of ten criteria that inform the Mercer survey, others including such fun concepts as political and social environment, economic environment and natural environment.

But what has Geneva to offer the discerning Sibos delegate who isn't planning to relocate? Those who are lactose intolerant, vegetarian or indeed vegan may wish to look away now. Geneva is at the predominantly French end of Switzerland and salty, creamy, rich food dominates.

There are 11 restaurants in the city with one Michelin star and two with two stars.

Set amid parkland, Domaine de Châteauvieux features accommodation (for those too weighed down by their meal to make it back into the city)

Dining with the stars

Located outside the city centre is the two Michelin star rated **Domaine de Châteauvieux**, Chemin de Châteauvieux 16, 1242 Satigny (+41227531511, info@chateauvieux.ch, www.chateauvieux.ch). The restaurant is set amid parkland and also features accommodation (for those too weighed down by their meal to make it back into the city).

Also outside the city is the other two-star establishment **Le Floris**, Route d'Hermance 287, 1247 Anières (+41227512020, resa@lefloris.com, www.lefloris.com). This is a pretty restaurant with lake views and is a 15 minute drive from the city centre. It is closed on Sundays and Mondays.

Unless you book early for the two-star restaurants you may have to slum it and settle for a mere one star joint. Think of it as doing your bit for austerity. The following are just a few of the 11 restaurants that have garnered a Michelin star.

La Bottega, Grand Rue 3, 1204 Genève (+41 227361000, info@labottegatrattoria.com, www.labottegatrattoria.com). Like all modern upmarket restaurants, La Bottega has a 'mission': "La Bottega's objective is to provide an innovative visual and culinary experience. Absolute-quality products and ingredients and impeccably-designed spaces, informal yet lovingly-fashioned down to the last detail: these are the fundamental tenets of our philosophy". This mission, with its irritating misuse of hyphens, translates into dishes such as vitello, pera e vino and agnello, carota e arance. There are also tasting menus, ranging in price from CHF65-110 ($68-104).

Vertig'O (anyone who has or does suffer from actual vertigo will know it is not something you'd want to experience anywhere, let alone over a meal) is at Quai du Mont-Blanc 11 (+41 229096073). Located in the Hotel de la Paix, the restaurant's menu offers seasonal dishes that promise a "detailed and decadent French meal with a subtle Mediterranean touch". Make of that what you will, but dinner bookings are advisable.

Nearby is **Le Chat Botté**, Quai du Mont-Blanc 13 (+41 227166920, fb@beau-rivage.ch, www.beau-rivage.ch). This is also a hotel restaurant, located in the Beau Rivage. Diners can expect dishes such as black cod, horseradish and miso sauce, veal shank with citrus fruits, New Zealand spinach (who knew?) and cashew nuts. There is also a truffle tasting option.

If you don't mind trekking cross-country (literally) for a one star meal, try **Le Refuge** ››

www.chateauvieux.ch/en

Opening up may be good for you:

Making PSD II access to accounts work in practice

By Michael Salmony, Equens SE, Executive Adviser

There is a massive trend in many industries for co-development of solutions. Apple does not develop all apps itself but provides a platform for others. Supermarkets do not bake the bread themselves but provide shelves for others to populate. Amazon does not produce own books and electrical goods but provides the means for others to sell their wares. Now banks are looking not only to develop their own mobile apps and their own cash management solutions but also to enable third parties to do this. Third parties (for example, FinTechs) may be faster, more flexible, have better understanding of modern customer interactions and may thus offer innovative financial solutions and compete amongst each other to solve new problems and provide a better user experience.

This open ecosystem has many advantages over the previous closed world, where everybody tried to do everything themselves. The key to successful "opening up" is to provide a standard interface, such as a smart phone to a bank account, that is accessible to third parties whilst retaining the necessary control. Controls are important in order to avoid fraud and illegal third parties getting in and to avoid any phone or account being compromised or accessed against the wishes of the user. A typical standard interface is the application program interface (API).

APIs are used by the billions of Twitter, Google, Facebook, eBay, Amazon, Netflix and all other digital champions. Now banks and bank service providers such as Equens are also leveraging the advantages of APIs. Equens will expose selected functions in a safe and controlled way to developers of its current banking clients from the fourth quarter of 2016. This allows these selected banks to develop new applications on the Equens assets and infrastructure. Some banks such as Credit Agricole, ING and BBVA have already embraced APIs and host their own app stores to allow customers more choice in how to manage their accounts using innovative apps developed by non-bank third parties.

In Europe the regulator has taken the bold step via the Payment Services Directive II (PSD II) to force all banks to open up their payment accounts to third parties by January 2018. Equens recognised the potential (and the risks) of this development very early and has formed a coalition of the willing around this topic with partners from diverse industries. The goal is to make PSD II work safely, at scale and in practice. This has led to the formation of an open Convenient Access to Payment Services (CAPS) initiative with an ever growing number of stakeholders that have come together to define an open framework for cooperation and for the benefit of all parties.

This framework proposes solutions to a number of issues raised by PSD II. For example, instead of each third party having to work out how to connect individually to each of the thousands of banks in Europe in their own local way, CAPS proposes a standard API for the payment initiation and account information services demanded by the regulator. CAPS also proposes value-added services (such as bank-verfied age/ address) which will be much in demand by third parties and merchants and will offer business opportunities to banks beyond compliance. CAPS also proposes how to significantly reduce the effort to manage disputes (of which initially there will likely be many) with standard procedures rather than each user calling his or her bank's hotline or sending emails between merchants, third parties and users. CAPS also proposes directory services that allow parties to find each other, ensure reliable mutual identification and maybe provide some convenience (for example, initiating a payment towards the recipient's mobile number rather than towards his or her IBAN). Also included is a proposal for supporting fraud detection which can be done much more effectively in such a community solution across many banks and third parties than any single entity can do by itself. There is much more to CAPS (for example, the support of modern token-based authentication, toolboxes for developers etc.), and the reader is encouraged to visit www.caps-services.com to see more.

Through all these functions in CAPS, we aim to make life easier for all stakeholders in PSD II. Equens helps banks by reducing their cost of compliance to the new law whilst ensuring that third parties can only access accounts safely and under the user's full control. Also, new business models are enabled where banks and new third parties can position themselves in a new way with new sources of revenue in the new open digital world. We have many use cases showing how FinTechs, third parties and banks will be able to develop new services, new solutions for consumers and corporates and generate new revenues using data and payment based on PSD2.

CAPS
Convenient Access to PSD2 Services

Please speak to us at Sibos at the stand D39

It would be difficult to disagree with the motto of Bistro de La Tour: "Life is too short to drink bad wine"

des Gourmets in the French border town of Machilly at 90 route des Framboises (+33 450435387, chanove@refugedesgourmets.com,www.refugedesgourmets.com). The menus are devised around a seasonal ingredient (such as game, lobster or black truffles). The restaurant also features a charming terrace that looks out on to the surrounding countryside.

Clearly, not all Sibos delegates are on generous expense accounts. What is available for the delegate with a more modest wallet? Thankfully, we have the Michelin Guide for the proletariat, Trip Advisor. If you can overlook the poor spelling, grammar and insistence on providing a back story, the site provides plenty of suggestions.

Bistrot du Boeuf Rouge at 17 Rue Alfred-Vincent rates highly (+41 227327537, www.boeufrouge.ch). The decor is art nouveau style and seating includes booths. As is obvious from its name, the restaurant focuses on beef dishes, but there are other options, including fish and a pleasingly long dessert menu.

For many Sibos delegates, it would be difficult to disagree with the motto of **Bistro de La Tour** at Boulevard de la Tour 2 (+41 223219766, www.bistrodelatour.ch): "Life is too short to drink bad wine". There is a very extensive list of French, Italian and Swiss wines. The food menu, however, is more limited. Dishes include Scottish salmon with miso sauce, wild sea bass with chervil, free farmed pork rib and dry aged Swiss beef (which is what many people look like after a week out on the tiles at Sibos).

Located near the Cathedral Saint-Pierre Geneve, **Les Amures** is at 1 Rue du Puits-Saint-Pierre (+41 223103442,www.hotel-les-armures.ch). The restaurant claims to be the oldest in the city and serves typical Swiss

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fare, including raclette, a range of fondues, Swiss sausage and perch.

You can rarely go wrong with an Italian, so **Luigia** at rue Adrien Lachenal 24a is worth checking out (+41 228401515, www.luigia.ch). This is a traditional Neapolitan restaurant and serves a wide range of pizzas along with other Italian favourites.

Where to drink

Apparently, in recent years Geneva has developed something of a "cocktail culture" and there is an increasing number of bars open until 2am. This will come as good news to the night owls among Sibos goers.

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Bars include **Les Brasseurs**, which is a 'brasserie artisanale'. Anything with artisan in its title is generally fairly pricey, which I think we can all agree means artisan is used here ironically. The brasserie serves food as well as yards of home-made brew. It is opposite the Cornavin train station at Place Cornavin.

Between rue de Lausanne and the lakeside (heading East) is **Les Pâquis** district, which hosts a number of bars, restaurants and even a small red light district. Locals apparently like to visit **Les 5 Portes, le Cafe des Arts** and **Le Scandale**. In the same area is Grand Duke Pub, which plays music from the 1970s and broadcasts sports.

It is something of a Sibos tradition to seek out the nearest Irish pub for evening entertainment. This is still the case, despite the demise of the Celtic Tiger that was Ireland. Most of the *craic* is likely to be centred on **Mulligan's** pub at 14 rue de Grenus. There is an alternative – **Charly O'Neills Irish Pub**. They are both Irish pubs, so no description necessary. Nearby is **Shakers**, which is a magnet for British visitors and residents.

The old town in Geneva has plenty of bars including **La Clémence**, **Demi-Lune**, **Le Petit Palace** and **Antidote**.

Getting around

Geneva's public transport system is called Unireso and is an interconnected system of trams, buses, boats and trains. The entire system uses the same tickets. Palexpo is served by three bus or tram lines: line 5, 28 and Y. The city centre is about 15 minutes away. There is also a regular train service between the airport and Palexpo, a trip that takes about ten minutes. A transport app can be downloaded here at http://www.tpg.ch/web/10428/133 on to smart phones, which will show timetables and routes and other useful information.

There are also the regular Sibos coaches that serve the convention centre and official hotels. These are well signposted outside the convention centre and there are always people on hand to direct you to the right stop. From Monday to Wednesday this week the coaches will depart Palexpo for the hotels from 17:30-19:00. On Thursday they will operate from 18:00-18:40. The Sibos desk at your hotel will have details of the coaches to Palexpo.

A taxi into the city centre should cost around CHF70. DNS


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