SKYSPARC

MiFID II compliance delivered through upgraded connectivity to bond trading platforms

| AUTOMATED INTERFACES DEVELOPED, TESTED AND SUPPORTED FOR SPF BEHEER BY SKYSPARC |

SPF Beheer bv

INDUSTRY:
Asset management

SOLUTIONS: SkySparc Consulting

ABOUT SPF BEHEER

SPF Beheer (SPF) is a Dutch pension provider with EUR20 billion in assets under management, invested across multiple asset classes (largely fixed-income and equities) on behalf of around 100,000 plan participants, the vast majority of which are railway and other public transport sector employees. The firm's portfolio management system (PMS) has more than 30 users across front-, middle- and back-office functions, as well as in the finance and accounting department. The PMS connects to around 20 external systems and platforms, for purposes including trade execution, import of market and static data, and export of position, performance and reporting information, as well as settlement, confirmation, payment and accounting.

CHALLENGE

As a regular investor in government and corporate bonds, SPF needed to ensure compliance with MiFID II's trade execution and reporting rules, within a relatively tight timeframe.

MiFID II's January 2018 roll-out required institutional investors to trade OTC instruments electronically via trading venues, rather than bilaterally. For many, bond trading and reporting workflows needed to be overhauled to ensure seamless, efficient and compliant trade execution, post-trade processing and reporting.

Previously, SPF's portfolio managers had traded bonds on a semi-manual basis,

discussing and placing orders with brokers via phone or automated chat. Trade confirmations from counterparties and/ or trading venues would be manually re-keyed into the firm's PMS.

SPF started its MiFID II preparations in early 2017. "There was a lot of space for interpretation, so we spent time checking what was really needed," said operations manager Kees Jan Willemsens. Once it became clear that existing interfaces between SPF's PMS and its main execution platforms could not adequately support MiFID II-compliant trading and reporting, the firm asked long-term support supplier SkySparc to develop a solution.

"The project team and the platform providers worked together to deliver the project on time without compromising on quality."

Kees Jan Willemsens, Operations Manager, SPF Beheer

SOLUTION

The project plan was agreed in April 2017, with expectations to 'go live' before the end of October, to ensure smooth, compliant trading in advance of the new regime.

SkySparc first looked to establish automated interfaces from SPF's PMS to its main electronic bond-trading platforms, e.g. Bloomberg, MarketAxess and Tradeweb, allowing SPF to send orders and receive confirmations via FIX messages. To achieve MiFID II compliance, the PMS had to be able to exchange mandatory transaction data on an STP basis with its trading platforms, including exact time of execution, trading venue transaction ID, trader ID, ISIN, buyer decision maker code, and order capacity. The existing interfaces were based on the PMS's standardized approach for third-party system connectivity, but customized to reflect specific instrument types, including floating rate notes and callables.

SkySparc also enhanced the existing standard interface between SPF's PMS and FXAll, a platform used for all the firm's FX trading needs, including forwards and swaps, to support new data import and export requirements.

In parallel, SkySparc and SPF took steps to maintain and update static data within the PMS needed to populate the fields in MIFID II transaction reports, including trader ID, allocation accounts, instrument type, counterparty, client etc.

To facilitate efficient, automated connectivity between SPF's PMS and the trade execution platforms, SkySparc agreed to handle all aspects of liaison with platform operators. This included ensuring data exchange supported automated reporting.

As the PMS only supported a one-way FIX interface with one of the trading platforms, it was initially expected that a new FIX engine would be needed to generate two-way data flows for MIFID II. But SkySparc was able to customize use of the standard interface, rather than creating a new one, which would have added complexity and cost. Customization and testing of this connection by SkySparc took six weeks, versus two to three weeks for other platform connections.

RESULT

SPF's portfolio managers were provided with automated bond-trading capabilities on-time and on-budget with minimal impact on internal resources, and were self-piloting after two brief training sessions. With SkySparc's support, SPF went live with MIFID II-compliant connections to three bond-trading platforms in two days. Overall, 95% of the project work was completed remotely; SkySparc was on site only for the go-live stage.

SPF was able to meet its compliance objectives due to disciplined execution, advanced planning, continuous collaboration and innovation. "We worked intensively with each external platform during the project, with SkySparc taking the initiative and working with our platform partners to find the right solution," said Willemsens.

As well as the short-term benefits of achieving regulatory compliance with minimal interruption, SPF is now well-placed to adjust to higher volumes of automated trading across asset classes in a robust and reliable front-office technology environment.

Although trade execution is largely now automated, there are still exceptions that need workaround solutions, such as deviations between PMS calculations and the information provided by execution platforms on proceeds and accrued interest. These are automatically marked as exceptions for corrective action by the middle office.

Recognizing that compliance is not a one-off event, but an ongoing process, SPF is continuing to improve the efficiency of the processes used to meet MiFID II's requirements. To this end, the firm is using its Support arrangement with SkySparc to make requests for new functionality.

ABOUT SKYSPARC

SkySparc, an independent solutions provider trusted by banks, central banks, Fortune Global 500 corporate treasuries and asset managers, offers complementary software, outsourced support and a wide range of financial and technical consulting services. Outsourced support enables our customers to focus on their core business and benefit from attentive service from our financial and technical experts. SkySparc OmniFi delivers sustainable business value to customer through advanced management reporting, process automation, system integration and fully automated testing. SkySparc was named Technology Consultant of the Year in Central Banking's FinTech & RegTech Global Awards 2021 and 2019, has previously won Treasury Today's Adam Smith Award for Best Risk Management Solution and Central Banking's Consultancy and Advisory Award, and is a five-time winner of Dagens Industri's Gazelle Award.