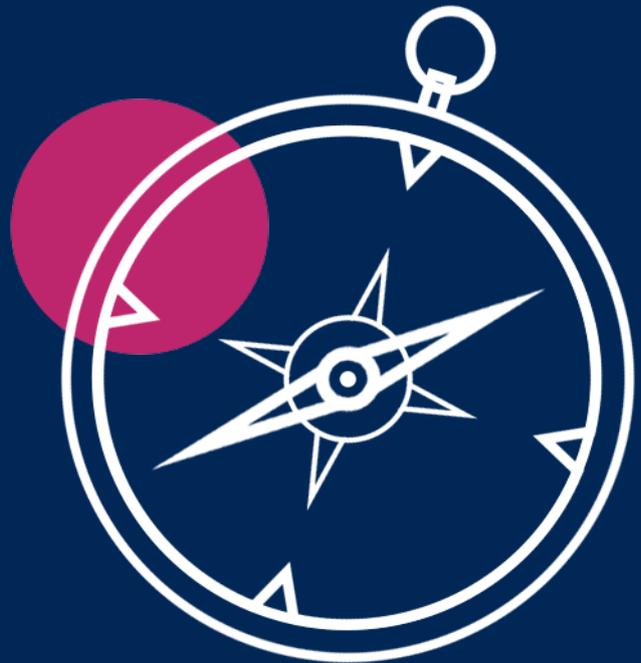


Bovill

Helping firms navigate the
regulatory landscape for
capital markets



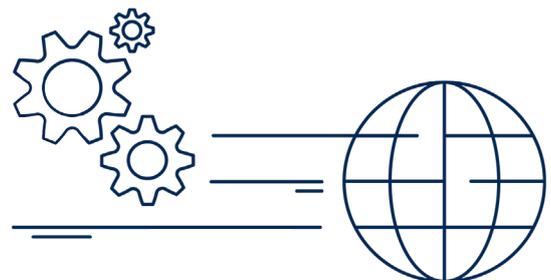
Rapid and far-reaching change

The reforms of markets regulation over the last five years have been unprecedented. This has been a period of rapid and far-reaching change, including a G20-led overhaul of regulation for derivatives markets, and significant increases in the depth and breadth of market conduct rules and global codes. Market regulation has, in addition to these global developments, been fundamentally reshaped by regional and national rule re-writes, such as the EU root and branch review of how markets function under MiFID II, and the similarly impactful US Dodd-Frank Wall Street Reform Act.

The introduction of the new regulations has not been without issue. Firms have been consumed by staying on top of a barrage of new regulatory requirements, often to the detriment of other change and compliance initiatives. Meanwhile, the regulatory landscape has placed entire business models under threat, as changes to trading infrastructure and transparency requirements are reinventing how markets should function.

This uncertainty and change arising from the current round of regulatory reforms is far from finished: Brexit and EMIR II are on the horizon in the EU, while other jurisdictions continue to implement the G20 derivative reforms, and will be looking closely for lessons learned from MiFID II, SFTR, CSDR and the EU Benchmarks Regulation. And while markets continue to become more global in nature, local nuance becomes ever more important as firms seek to stay compliant and keep their competitive edge.

At Bovill, we have been helping firms around the globe to manage this complex regulatory change agenda. Bovill provides expert regulatory guidance, implementation support, and outsourced services to a range of markets clients across the EU, US and Asia Pacific.



Market conduct



Market conduct is, and will remain, an ongoing area of focus for all regulators. In the EU, the implementation of MAR has broadened the range of financial instruments and behaviours subject to the market conduct regime and raised the bar for firms to have effective monitoring of both their staff and their clients. Meanwhile, the EU Benchmarks Regulation has also significantly raised standards for firms who compile critical indices that are commonly referenced by financial products, including those from third countries, by requiring them to increase the transparency around the calculation of the benchmark and monitor for potential market manipulation.

As major financial centres must demonstrate their markets are clean, global initiatives, such as the global codes for FX and money-markets are helping to raise the standards of market conduct internationally.

Bovill's market conduct specialists work with a broad spectrum of firms active in markets around the world, to ensure that they satisfy their regulatory requirements.

We can help you with:

Market conduct risk assessments – performing a full review of the abusive behaviours to which a firm or business model is exposed, and assessing the effectiveness of the controls implemented.

Building a compliant environment – designing the policies, procedures, controls and monitoring which will protect firms from potentially abusive behaviours – both among their staff, their clients and other third parties.

Market abuse managed service – managing your end-to-end market abuse surveillance. Partnering with the technology firm Irisium, a subsidiary of Cinnober Financial Technology AB, Bovill can detect and investigate potential incidences of market abuse as they arise, and provide key intelligence to your compliance staff.

Market infrastructure providers



The environment for exchanges and trading platforms is an area of innovation and intense competition. In Europe, the wave of equity-trading competition ignited by MiFID continues under MiFID II, despite some attempts at consolidation. Meanwhile, the ecosystem of trading venues is ever more diverse, as innovative new asset classes and business models emerge in the MTF and OTF space.

In the post-trade space, both CCPs and CSDs have been subjected to exacting new standards. This has been a global phenomenon for CCPs – with the Principles outlined by CPMI-IOSCO being adopted and often embellished in many jurisdictions. In Europe, CSDR has significantly raised the bar for CSDs. Meanwhile, regulators have applied a greater degree of scrutiny to the ‘bread and butter’ compliance issues for market infrastructure firms – such as financial crime, market abuse and compliance monitoring.

Bovill works with a broad range of market infrastructure providers – from the most established names to start-ups and niche players.

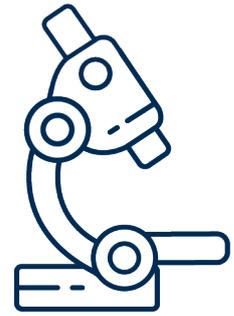
We can help you with:

Developing your model and getting authorised – we have a strong track record of helping new trading platforms move from concept to a fully regulated business. We can advise on the extent to which regulation applies to your business, how to ensure you effectively manage your regulatory risk, and how to build a compliant operating model.

Managing regulatory change – the burden of regulation in the market infrastructure space continues to grow. We help firms to deliver the change required to remain compliant.

Ensuring ongoing compliance – our experts, many former regulators, provide ongoing advice and support to market infrastructure firms, to help them stay compliant. We can also perform reviews and assessments, to ensure your control environment remains appropriate.

Brokers and the sell-side



For brokers and sell-side firms, regulatory reform has been profound. As the interface between end investors, the buy-side and market infrastructure, not only are such firms directly impacted by the regulatory reforms themselves, but they must also respond to the changes occurring in the infrastructure space and update their practices accordingly.

The impact has been greatest in the EU, where MiFID II has remade trading practices and the market landscape for financial instruments. Alongside this MAR has significantly raised expectations of firms' controls around common practices such as market soundings, and firms' technical capabilities around transaction monitoring.

Globally, the reform of derivative markets has re-shaped the post-trade infrastructure, and driven a significant proportion of the OTC derivative market into CCP clearing. Alongside this, a complex web of transaction reporting regimes must be navigated, with local differences in regulators implementation magnifying the complexity of the task.

Bovill has clients across the sell-side spectrum – including leading investment banks, inter-dealer brokers, and niche brokers and trading firms.

We can help you with:

- **Adapting to regulatory change** – we assist firms in identifying the gaps and challenges associated with new regulatory regimes, and can provide regulatory expertise and project management resources to deliver change.
- **Complying with the core pillars of the regulatory regime** – our experts can help design controls and review compliance with all key areas of regulation for the sell-side – including transaction reporting, best execution, financial crime, appropriateness and market conduct.
- **Ensuring efficient back-office operations** – the new regulatory environment places a particular burden on back office operations – across transaction reporting, margining, clearing and collateral management. We can help you to design efficient, compliant solutions.
- **Performing transaction monitoring and reconciliations** – we offer full managed service solutions for both market abuse surveillance and transaction reporting reconciliation.

Benchmarks and indices



Benchmarks and indices lie at the heart of financial markets, as they help to price assets, underlie many investment products, measure investment performance, and manage risks in the financial system. However, the financial crisis, and in particular the LIBOR scandal, laid bare the risks at the heart of benchmark and index calculation and oversight for the broader financial system.

In response, regulators have coordinated at the IOSCO level to articulate guiding principles for those involved in the creation of and use of financial benchmarks. Many organisations have now adopted the IOSCO Principles for Financial Benchmarks. A number of regulators are using them as a basis for their oversight of benchmark providers, and a number of regulators are devising more exacting standards to be applied locally.

The EU is the most advanced, with the EU Benchmarks Regulation having been introduced in early 2018. The regulation is extremely complex, with implications for administrators, contributors of benchmark and index data, and for users – both within the EU and in third countries. Before 2020, a large number of firms are expected to register with EU regulators as benchmark administrators, many more will need to adopt new controls and procedures where they contribute to a financial benchmark. Still, more will need to comply with requirements for benchmark users including restrictions on permitted use and robust contingency plans.

Bovill works with administrators, contributors and users of benchmarks around the world to interpret the implications of both the IOSCO Principles and the emerging local regulatory frameworks.

We can help you with:

Assessing your position with regards to the EU Benchmarks Regulation and / or IOSCO Principles – to help you understand the circumstances under which you will be considered an administrator, contributor or user, and design an appropriate control framework.

Seeking authorisation as a benchmark administrator in the EU – we can support you through the end-to-end authorisation process, ensuring the correct policies, procedures and controls are in place, to maximise the probability of a successful application.

Designing a compliance framework for your benchmarks – tailored to compliance with either the IOSCO Principles or your local regulatory regime.

Our recent experience

Regulatory gap analysis for a niche commodity broker

Bovill worked with the client to provide perimeter advice on the applicability of the OTF regime, a full MiFID II gap analysis including recommendations on areas for remediation, and a comprehensive refresh of policies and procedures aligned to the MiFID II rules.

Our advice on the OTF regime set out a comprehensive, reasoned analysis of the applicability of the rules in the context of the client's business model and trading practices. For the wider MiFID II gap analysis, we conducted a series of workshops with relevant teams, and discussed the impact of the regulation on a line by line basis. Finally, we redrafted their policies and procedures, to ensure their over-arching compliance manual is fully aligned to MiFID II.



Seeking authorisation for a commodity benchmark administrator

We conducted workshops at the client's offices to gain insight into the client's benchmark administration business. We provided a gap analysis between their current position and both the IOSCO Principles and BMR. We ensured both sets of requirements were met, by reviewing and updating existing documents, and drafting new documents where required. To facilitate implementation and embedding of new practices we delivered training sessions and workshops. To conclude the preparation stage we provided a statement of IOSCO compliance, showing the client's compliance with the required Principles, and documented the areas where compliance was not applicable given the client's business model.

Additionally we drafted the client's application for authorisation under the BMR, and compiled the supporting documents required by the FCA's guidelines. As an added layer of assurance we engaged with the FCA to ensure the application was in line with their expectations.



Advising a start-up benchmark administrator and multi-lateral trading facility

Bovill provided the client with an initial white paper, containing our expert insight on the key success factors in designing indices and developing a trading platform and CCP clearing business. We also provided insights into the various potential users of the envisaged benchmark derivatives, the structure and use of derivative contracts in related markets, and on the potential advantages and pitfalls of partnerships between index providers and exchanges. Finally, we advised on the strategic, commercial and regulatory aspects of the options for benchmark provision, and the operation of infrastructure for trading and clearing of derivatives referencing those indices.



Market Abuse Regulation risk assessment for a leading trading platform



Our market conduct experts reviewed and thoroughly updated the client's market conduct risk assessment, provided training to surveillance staff, designed market abuse MI and helped implement an enhanced governance framework.

Bovill conducted a series of interviews and meetings with relevant stakeholders, aimed at fully understanding the risks inherent in the business and any interdependencies and overlaps between group entities. We also assisted the MTF with identifying, articulating and mitigating more complex market abuse risks, such as detecting and preventing cross-venue and cross-asset market abuse behaviours.

Bovill provided two full time resources to support the client's transition to becoming a fully MiFID II and MAR-compliant MTF. This included assisting with compliance monitoring, managing onboarding processes, and investigating trade surveillance alerts, testing and calibrating alert parameters, and generating management information.

Broker-dealer registration in the Cayman Islands



Bovill provided the client with an initial white paper containing our expert insight on the benefits of registering in the Cayman Islands versus other jurisdictions based on their business plan. This paper provided advice on any associated compliance and regulatory matters. As part of this process, we also assessed whether they would meet the requirements for licensing by the Cayman Islands Monetary Authority (CIMA) and laid out any considerations they may not have otherwise been aware of. We managed the entire application process and worked closely with the firm to help collate all required documents, and submitted to the regulator on their behalf. This also included helping the firm enhance their current policies and procedures to help ensure they met the regulatory requirements of the CIMA. Finally, we worked closely with the case examiner on any queries they had around the application and documentation supplied.

How we can help

Projects and reviews



The burden of regulation in the capital markets space continues to grow. We can support firms with their regulatory change programmes to ensure they remain compliant. Our work is often focussed on specific regulatory themes for example MiFID II and SFTR. But we are also able to carry out gap analysis and due diligence work on your behalf, and support the development of new business plans.

Secondments



Dedicated compliance resources are expensive and scarce. We can fill in gaps and give you additional capacity for short periods when workload is high, there is increased risk, or you have a regulatory review or project.

Policies and procedures



We can review, amend and originate any procedures, guidance and training documentation as required. With existing templates that are continually updated in line with regulatory requirements we can streamline this process for you and give you peace of mind.

Ongoing support



We support over 300 clients with their ongoing compliance needs. This includes regular compliance monitoring, health checks and gap analysis. We are experts on regulation across the UK and Europe, Asia and the Americas and our people can give you pragmatic and proportionate advice. Whether you need tailored training, more compliance resource or just another pair of eyes to check new regulations, we can help.

Authorisations



Bovill has a strong track record of helping new firms and trading entities move from concept to fully regulated business. We know the regulators, and what they are looking for. We can advise on the extent to which regulation applies to your business, how you effectively manage your regulatory risk and how to build a compliant operating model. We can then manage the authorisation process from start to finish.

Outsourced managed services



We understand how difficult it is for smaller firms to remain competitive and stay compliant without a huge strain on resources. That's why, in conjunction with two software providers, we have developed fully outsourced managed services for Market Abuse surveillance and Transaction Reporting. By pairing leading technology with our deep expertise in both areas you can benefit from a robust yet cost effective solution.

Training



Bovill specialise in providing training of all types, from one-on-one training for controlled function holders to tailored sessions for boards and NEDs. Our training is face to face, not via a computer screen. This means your people really understand the issues in the context of your business, and you have the comfort of knowing your session is tailored purely with you in mind.

Meet some of the team



Damon Batten

Damon is an expert in global regulation for traded markets and post trade activities and is our international markets sector lead. Focusing primarily on brokers and the sell side, Damon helps clients to understand the impact of the growing regulatory burden on their business. A highly experienced consultant, he has provided practical advice to investment banks, CCPs, exchanges and buy side firms on the impact of new regulation.



Gareth Parker

Gareth Parker is a consultant on benchmark and index regulatory affairs based in the UK and working internationally. He was previously Head of Research and Design for both S&P and FTSE, where he started his career as one of the company's four founding staff. In addition to his role at Bovill, he is currently Chairman of the CBOE Europe Index Advisory Committee.



Tobias Sproehle

A benchmarks expert based in the UK, Tobias was Global Head of Benchmark Services for Thomson Reuters where he led the team responsible for the administration of more than 70 key rates, along with the calculation and publication of more than 350 OTC benchmarks across fixed income, currencies and commodities. Tobias provides regulatory advice to administrators, contributors and users of benchmarks.



Christian Krohn

Christian is a regulatory change expert with over 20 year's international experience with infrastructures, regulators and market participants in rule development and implementation. Based in London, his experience includes market and conduct reform for an international bank, programme management for AFME and policy work for the FSA.



Monica Rodriguez

Monica helps clients assessing their market abuse risks, making sure their policies and procedures are up to date with regulatory requirements under MAR, BMR and the FCA's SYSC rules. Based in the UK, she spent a number of years at the FCA as a market abuse policy expert where she worked on MAR, FERM and the FX Global Code.



Jacob Wissum

Jacob leads our team in Hong Kong and works primarily with investment banks and brokerage firms in Hong Kong and Singapore. His team provides ongoing regulatory support as well as specific project advice and delivery. Before working as a consultant, he was Head of Legal and Compliance for Asia at a global online investment bank.



Katie Pollock

Katie specialises in global securities trading and trading operations across all asset classes, and understands market specific regulations. Based in Chicago, Katie has both buy and sell-side experience, and helps firms with registration, supporting operational growth and ongoing compliance requirements. She has worked in house in the US and UK in number of international investment and trading firms.



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Bovill is a specialist financial services regulatory consultancy, established in 1999 and headquartered in London. We also have offices in Singapore, Hong Kong, and Chicago.

Our sole activity is the provision of high-quality, technically-focused advice and consultancy services on all aspects of financial services regulation. We aim to develop effective solutions to the complex problems of our clients, and do not offer commoditised advice or services.

Bovill has experts spanning all aspects of financial regulation in the the UK, EU, Asia and Americas.



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