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Regulatory Update and Recent SEC Actions

REGULATORY UPDATES

Investors Continue to Press Regulators for Disclosure of Environmental, Social, and Governance ("ESG") Risks

On April 2, 2019, the Senate Committee on Banking, Housing, and Urban Affairs held a hearing related to ESG disclosure and whether the Security and Exchange Commission ("SEC") should require a uniform approach to reporting. Institutional investors have been pressing this issue because they believe the current approach of obtaining such information on a company-by-company basis is largely inefficient. Critics of this proposed disclosure, however, are concerned that the burden of the new reporting system would cause more harm than good, as it may push companies away from public markets and open the door for undue influence by groups with political or social agendas. ESG disclosure has become an important topic for large asset owners and asset managers as, according to the Forum for Sustainable and Responsible Investment, 26 percent of professionally managed assets in the United States (which is approximately $12 trillion) were invested in strategies with ESG criteria in 2018, which is a 38 percent increase from 2016. Additionally, on March 8, 2019, the European Parliament and European Union agreed to adopt mandatory sustainable investment disclosure rules for institutional investors in an attempt to eliminate chances for investment firms to make unsubstantiated or misleading ESG claims, known as greenwashing, which has put more pressure on U.S. regulators to address this topic. The new rules require money managers, insurance companies, pension funds, and investment advisers to integrate ESG factors into their portfolios and require disclosure about the adverse impact of investments, including assets that pollute water or damage biodiversity. While SEC Chairman Jay Clayton made it clear to the Investor Advisory Committee in December 2018 that ESG disclosure should not be required to comply with the SEC as "each company and each sector, has its own circumstances, which may or may not fit within a standard framework," it is also clear that the general consensus of investors as to the current state of ESG disclosure is that more needs to be done, whether mandatory disclosure is required and how such disclosure is reported will continue to be topics of discussion.

New SEC Staff Guidance Could Cause Issues for Mutual Funds

On April 2, 2019, the SEC released staff guidance, which contained a footnote requesting that registrants file an amendment under Rule 485(b)(1)(iii) of the Securities Act of 1933 ("Securities Act") delaying the effectiveness date of a registration statement if a registrant is unable to respond to staff comments at least five business days before such registration statement automatically becomes effective. The intent of this request may have been aimed at new registrants, but as written, it applies to existing funds that are updating current registration statements with an amendment, which would take effect automatically after a certain number of days have elapsed (either 60 days or 75 days depending on the circumstances). This could cause concern for mutual funds because complying with the SEC's request to delay effectiveness beyond the deadline when updating the fund's annual update could leave the mutual fund without an effective registration statement. There is liability under the Securities Act when offering a fund without an effective registration statement; thus, it is important to keep this in mind should the staff request to delay the effective date. While the delaying amendment may be feasible for resolving late responses to timely staff comments in situations where there is no existing registration statement that could potentially lapse, requesting the same delay for a mutual fund updating current registration statements by way of amendment creates an unintended trap for funds that are generally in compliance.

SEC to Scrutinize Misleading Exchange-Traded Fund ("ETF") Names

With the rapid increase of thematic ETFs offering investments in many of the popular investment trends in today's market, the SEC is attempting to ensure that their names are not misleading and are aligned to the strategy of the fund. As a sign of the SEC's increased scrutiny and review, filings have shown that more than one-third of thematic ETFs that started last year changed their names during the regulator's approval process. Per the Investment Company Act of 1940, as amended ("1940 Act"), issuers are prohibited from using "materially deceptive or misleading" names, and to reinforce this, the SEC adopted Rule 35d-1 in 2001, which requires funds to ensure that at least 80 percent of assets are held in the type of investments suggested by their monikers.

Office of Compliance Inspections and Examinations ("OCIE") Co-Deputy Director and Chief Counsel Discusses Investment Adviser Deficiencies

At the SEC Speaks conference in April 2019, Dan Kahl, Co-Deputy Director and Chief Counsel of OCIE, discussed OCIE's investment adviser deficiency letter review project. The staff of OCIE went through its database of thousands of deficiency letters to identify the most common deficiencies and enumerated a "top 10" list of issues to inform the development of OCIE's risk alerts. According to Kahl, the top five investment adviser deficiencies related to the custody rule, the compliance rule, regulatory filings, codes of ethics, and books and records issues. The next four were best execution, the cash solicitation rule, advisory fees and expenses, and the advertising rule.

Division of Investment Management Names Sara Cortes and David Bartels as Deputy Chief Counsels

On April 15, 2019, the SEC announced that Sara Cortes and David P. Bartels were named deputy chief counsels of the Division of Investment Management. As deputy chief counsels, Cortes will oversee the exemptive applications program and Bartels will oversee the enforcement liaison program, while both Cortes and Bartels will share responsibility for staff legal guidance by the Chief Counsel's Office. Cortes most recently served as assistant director and head of the Investment Adviser Regulation Office and has been a member of the division's Rulemaking Office since 2013. Bartels has been with the Division on Investment Management since 2010, serving in a number of capacities, the most recent of which was senior policy advisor to Director Dalia Blass.

"I am excited for Sara and David to take on these new leadership roles. I have worked with both of them for many years and I am delighted that the Chief Counsel's Office will benefit from their extensive experience, deep knowledge of the 1940 Act and thoughtful leadership skills. They are highly respected by their peers and will be a fantastic addition to the division's senior leadership team," said Dalia Blass, Director of the Division of Investment Management.

Blackstone Alternative Investment Funds ("Blackstone") Seeks Exemption for In-Person Sub-Adviser Approval

Blackstone has requested an exemption order that would no longer require its fund board to hold in-person meetings to approve sub-advisory agreements. Specifically, the exemption would minimize the delay and expense caused by requiring an in-person meeting by allowing Blackstone and the fund board to hire sub-advisers and amend agreements with sub-advisers via non-in-person meetings. In support of its argument, Blackstone notes that circumstances can change and opportunities may arise during the period between in-person meetings, such that it would be impractical and costly to hold an additional in-person board meeting to address the interim items. Should the exemption order be granted, Blackstone says that the board's statutory duty and review process will stay the same.

"This would mean that there would be a monumental distinction between approving an advisory agreement and a sub-advisory agreement notwithstanding that both are registered entities regulated by and subject to the requirements of Section 15(c) of the Investment Company Act of 1940" said Thomas R. Westle, a partner at Blank Rome LLP. "This request, if granted, would provide advisers with greater flexibility and make those that employ sub-advisers more nimble in their ability to hire new sub-advisers and to replace current sub-advisers quicker."

OCIE Issues Risk Alert on Regulation S-P Compliance Issues

On April 16, 2019, the OCIE issued a risk alert concerning compliance issues related to Regulation S-P, the SEC rule that covers privacy notices and safeguard policies of investment advisers and broker-dealers. The goal of sharing these compliance issues is to encourage firms to review their written policies and procedures to ensure that they are in compliance with regulatory requirements under Regulation S-P. The compliance issues were identified during examinations of SEC-registered investment advisers and broker-dealers. Among the most common deficiencies or weaknesses identified by the OCIE staff were: (i) registrants failing to provide (or providing inaccurate) initial privacy notices, annual privacy notices, and opt-out notices to their customers; (ii) registrants failing to have written policies and procedures related to administrative, technical, and physical safeguards; and (iii) registrants failing to implement or design their written policies properly. Unauthorized access to or use of customer records or information were found in connection with employees' personal devices, electronic communications and training, unsecure networks, and outside vendors. The risk alert encouraged registrants to review their written policies and procedures, including implementation of those policies and procedures, to ensure that they comply with Regulation S-P.

SEC Rulemaking on Advice Standards Is a Priority

Speaking at the Investment Company Institute's annual membership meeting in Washington, D.C., in early May 2019, SEC Chairman Jay Clayton indicated that, in crafting standards of conduct rules for brokers and advisors, his main concerns are preserving investors' choice and lowering their costs. Clayton noted that he set out to tackle the conduct rules for brokers and advisors early in order to stem the uncertainty in the markets. Clayton believes that allowing for different fee models, *i.e.,* commission-based versus fixed (asset under management) fees, also boosts competition, which leads to lower costs.

Department of Labor ("DOL") to Revive Fiduciary Rule

On May 22, 2019, the DOL released its spring regulatory agenda, which included its intention to propose a new fiduciary rule in December that will overhaul investment advice standards in retirement accounts. In a hearing of the House Education and Labor Committee in early May 2019, DOL Secretary Alexander Acosta told lawmakers that the agency would revive its fiduciary rule. The DOL previously proposed a fiduciary rule in 2010, which was ultimately withdrawn for revisions and proposed again in 2015. The rule went into partial effect in 2017, but was ultimately struck down by the Fifth U.S. Circuit Court of Appeals. Acosta indicated that the DOL is working with the SEC as the SEC completes its advice reform package, including Regulation Best Interest ("Regulation BI"). The new DOL rule would likely be contoured to the SEC's final regulations.

OCIE Issues Risk Alert Regarding Storage of Electronic Customer Records and Information

On May 23, 2019, OCIE issued a risk alert highlighting the risks associated with the storage of electronic customer records and information by broker-dealers and investment advisers in the cloud and on other types of network storage solutions. OCIE identified these risks during recent examinations. While network storage solutions offer

encryption, password protection, and other security features designed to prevent unauthorized access, OCIE examiners observed that firms did not always use the available security features. Weak or misconfigured security settings on a network storage device could result in unauthorized access to information stored on the device. OCIE noted that the following may raise compliance issues: (i) misconfigured security settings on network storage solutions; (ii) inadequate oversight of vendor-provided network storage solutions; and (iii) insufficient data classification policies and procedures. The alert included several examples of effective practices with respect to storage of electronic customer records and information. OCIE encouraged registered broker-dealers and investment advisers to review their practices, policies, and procedures with respect to the storage of electronic customer information and to consider whether any improvements are necessary. OCIE also encouraged firms to actively oversee any vendors they may be using for network storage to determine whether the service provided by the vendor is sufficient to enable the firm to meet its regulatory responsibilities.

Kevin Zerrusen Named as Senior Advisor to the Chairman for Cybersecurity Policy

On June 3, 2019, the SEC announced that Kevin A. Zerrusen will serve as Chairman Jay Clayton's senior advisor for cybersecurity policy. The announcement noted that Zerrusen will coordinate efforts across the SEC to address cybersecurity policy, engage with external stakeholders, and help enhance the SEC's mechanisms for assessing cyber-related risks. Zerrusen brings to the job significant experience in promoting the cybersecurity of both government agencies and major financial market participants. He currently serves as chair of the Intelligence National Security Alliance's Cyber Council, a group chartered to promote effective public-private sector collaboration on cybersecurity issues. Zerrusen is a 30-year veteran of the Central Intelligence Agency, where his responsibilities included running the agency's cyber center, which was responsible for analyzing, evaluating, and countering foreign cyber threats. For the past five years, he has worked as managing director at a leading global investment management firm, where he led initiatives to strengthen technology risk governance, incident management, and insider threat programs. Zerrusen earned his M.B.A. from Syracuse University and his bachelor's degree from the University of Dayton.

"The Commission has the dual responsibility to promote efforts by market participants to address cyber risks and respond to cyber events as well as our own obligations to address cyber risks and prepare for cyber events affecting the agency itself. Kevin's wide range of expertise regarding cybersecurity risk and financial markets, including 30 years in the intelligence community, will be invaluable to our continued pursuit of these important efforts," said Chairman Jay Clayton.

Highly-Anticipated Regulation BI Adopted by SEC and Criticized by Democratic SEC Commissioner and Investor Advocates

On June 5, 2019, the SEC voted to adopt a package of rulemakings and interpretations covering the quality and transparency of retail investors' relationships with investment advisers and broker-dealers. Specifically, these actions include the new Regulation BI, the new Form CRS Relationship Summary, and two separate interpretations under the Investment Advisers Act of 1940 ("Advisers Act"). Under Regulation BI, broker-dealers will be required to act in the best interest of a retail customer when making a recommendation of any securities transaction or investment strategy involving securities to a retail customer. Form CRS will require registered investment advisers and broker-dealers to provide retail investors with simple, easy-to-understand information about the nature of their relationship with their financial professional. Form CRS will also include a link to a dedicated page on the SEC's investor education website, investor.gov, which offers educational information about broker-dealers and investment advisers, and other materials. The SEC also issued an interpretation to reaffirm and, in some cases, clarify the SEC's views of the fiduciary duty that investment advisers owe to their clients under the Advisers Act. Finally, the Commission issued an interpretation of the "solely incidental" prong of the broker-dealer exclusion under the Advisers Act, which is intended to more clearly delineate when a broker-dealer's performance of advisory activities causes it to become an investment adviser within the meaning of the Advisers Act. Regulation BI and Form CRS will become effective 60 days after they are published in the Federal Register and will include a transition period until June 30, 2020, to give firms sufficient time to come into compliance. The SEC's interpretations under the Advisers Act will become effective upon publication in the Federal Register.

"The rules and interpretations we are adopting today address issues that the Commission has been actively considering for nearly two decades," said SEC Chairman Jay Clayton. "Our staff, working collaboratively across all of our divisions and many of our offices, has leveraged its decades of experience and expertise in considering these issues. I believe that the exceptional work of the SEC staff, including their careful evaluation of the feedback we received, will benefit retail investors and our markets for years to come. This rulemaking package will bring the legal requirements and mandated disclosures for broker-dealers and investment advisers in line with reasonable investor expectations, while simultaneously preserving retail investors' access to a range of products and services at a reasonable cost."

The SEC's lone (at the time of the vote) democratic commissioner, Robert Jackson, dissented from the vote and issued a statement denouncing the SEC's adoption of Regulation BI and related rules. In the statement, Commissioner Jackson indicated his belief that the new rules fall short of eliminating conflicts of interest and instead "retain a muddled standard that exposes millions of Americans to the costs of conflicted advice." Commissioner Jackson noted that by passing these new rules, the SEC has failed to protect investors and has essentially concluded that investment advisers are not true fiduciaries. Investor advocates and consumer groups also expressed their dissatisfaction with the new rules, which they believe do not meaningfully add to requirements currently in place. "The obligation to act in the best interests of the customer in the regulation simply codifies the obligation to make recommendations that are 'consistent with the investor's best interests'" under the suitability standard, said Barbara Roper, Director of Investor Protection for the Consumer Federation of America.

Massachusetts Requires Fee Table for State-Registered Advisers

On June 19, 2019, Massachusetts became the first state to require investment advisers to give clients and prospects a one-page standalone fee table to supplement the narrative disclosure that the SEC requires in Form ADVs. The requirement applies only to state-registered investment advisers, not to SEC-registered advisers or broker-dealers and their registered persons. Massachusetts has about 1,800 state-registered investment advisers. The table is intended to give a "simplified and more accessible overview" of investment advisers' fees and services than what is provided in the regulatory document. Investment advisers that have websites must make the table easily accessible on, or from, the site, the state wrote in its adopting release. The state said it will begin enforcing the amended rule requiring the fee table disclosure on January 1, 2020, although it technically became effective in June 2019.

House Votes to Halt Regulation BI

On June 26, 2019, the U.S. House of Representatives voted 227-200 to pass House Financial Services Committee Chairwoman Maxine Waters' amendment to block the SEC from enforcing Regulation BI. Waters' amendment was passed along with a package of other changes to HR 3351, the Financial Services and General Government Appropriations Act. The provision would prevent the SEC from proceeding to implement, administer, enforce, or publicize Regulation BI. Waters, of California, was among 35 House democrats who complained to SEC Chairman Jay Clayton late last year that the agency's Regulation BI was not a true fiduciary standard. Industry groups have expressed their disagreement with the amendment. "Congress should allow the implementation of [Regulation BI] to move forward and it should be given time to work," Insured Retirement Institute said in a statement. "This newly adopted rule raises the standard of conduct for financial professionals, expressly requiring them to act in their clients' best interest." Investment Company Institute President and CEO Paul Schott Stevens said that Regulation BI "ensures investors are afforded strong protections when they receive recommendations from financial intermediaries. Passage of this amendment seemingly relitigates the [Department of Labor] fiduciary rule, which was vacated by the Fifth Circuit Court." Waters' amendment likely faces a tough road to passage in the Senate.

ENFORCEMENT ACTIONS

SEC v. Abraaj Investment Management Ltd., et al. **(Case No. 19-cv-3244 S.D.N.Y.)**

On April 11, 2019 the SEC filed a complaint charging Arif M. Naqvi and his firm, Abraaj Investment Management Ltd., a Dubai-based investment advisory firm, with misappropriating funds from a private equity fund client. The SEC alleges in the complaint that Naqvi and his firm raised over $100 million from U.S.-based charitable organizations and other U.S. investors for the Abraaj Growth Markets Health Fund. According to the SEC's complaint, Naqvi misappropriated the money from the Health Fund and used the funds to cover cash shortfalls at Abraaj Investment Management.

SEC v. Christopher D. Dougherty, et al. **(Case No. 19-cv-0769 S.D. Cal.)**

On April 26, 2019, the SEC charged Christopher D. Dougherty and several entities he controlled with operating a Ponzi scheme. According to the SEC's complaint, Dougherty defrauded his investment advisory clients out of seven million dollars. The San Diego District Attorney's Office has announced separate criminal charges related to the same conduct.

SEC v. David Wagner, et al. **(19-cv-05570 S.D.N.Y.)**

On June 14, 2019, the SEC charged David Wagner, Mark Lawrence, Downing Partners, LLC, Downing Investment Partners, LP, and Downing Digital Healthcare Group, LLC with violating Section 17(a) of the Securities Act of 1933 and Section 10(b) of the Securities Exchange Act of 1934. The SEC's complaint alleges that the defendants misappropriated investor funds by charging them undisclosed fees and lied to investors about the cash reserves and revenues of the investment opportunities.

In the Matter of Wedbush Securities Inc. **(SEC File No.: 3-19205)**

On June 18, 2019, the SEC announced that Wedbush Securities Inc. ("Wedbush") agreed to pay more than $8.1 million to settle charges for improperly handling "pre-released" American Depositary Receipts ("ADRs"). The SEC's order finds that Wedbush improperly obtained ADRs from depositary banks knowing that neither the firm nor its customers owned the foreign shares needed to support the ADRs. Improperly handling pre-released ADRs results in inflating the total number of the foreign issuer's tradeable securities, allowing for abusive practices, such as inappropriate short-selling and dividend arbitrage. As such, the SEC is conducting an ongoing investigation into abusive ADR pre-release practices, which thus far has resulted in monetary settlements exceeding $422 million in 11 different actions.

Investment Adviser Agrees to Pay Five Million Dollars for Compliance Failures Related to Valuation of Fund Assets (SEC File No.: 3-19190)

On June 4, 2019, the SEC announced it had reached an agreement with Colorado-based investment adviser Deer Park Road Management Company LP ("Deer Park"), a private fund manager in the mortgage-backed securities space. The agreement settled charges stemming from compliance deficiencies that contributed to Deer Park's failure to ensure that certain securities in its flagship fund were valued properly. An investigation by the SEC found that Deer Park, in connection with its flagship STS Partners' fund, failed to have policies and procedures to address the risk that its traders were undervaluing securities and selling for a profit when needed. The SEC also found that the firm failed to guard against its traders providing inaccurate information to a pricing vendor and then using those prices to value bonds. Deer Park's chief investment officer, Scott Burg, oversaw the valuation of certain assets in the flagship fund and approved valuations that the traders flagged as "undervalued" with notations to "mark-up gradually." Also overseeing valuation was a committee comprised of the principal's relatives and others without relevant expertise. Without admitting or denying the SEC's findings, Deer Park consented to a censure and Deer Park and Burg agreed to cease and desist from committing or causing any violations and future violations of a provision of the Advisers Act requiring reasonably designed policies and procedures. Deer Park agreed to pay a five-million-dollar penalty and Burg agreed to pay a $250,000 penalty.

EMERGING TECHNOLOGY TRENDS

House of Representatives Announces First FinTech Task Force Hearing (June 25, 2019)

Congresswoman Maxine Waters, as chairwoman of the House Financial Services Committee, announced the creation of a Task Force on Financial Technology and a Task Force on Artificial Intelligence.

The House Task Force on Financial Technology held is first hearing on June 25, 2019. Valerie Szczepanik, head of the SEC's Strategic Hub for Innovation and Financial Technology, testified at the hearing to address lawmakers' questions on a variety of topics, including: (i) whether the lack of clarity in securities laws and whether the SEC guidance (or lack thereof) is inhibiting the digital asset marketplace in the United States; (ii) Facebook's proposed Libra virtual currency; (iii) the Office of the Comptroller of the Currency's special purpose national bank charter; and (iv) the United Kingdom's sandbox approach to FinTech.

Bitcoin Exchange-Traded Fund Update

On May 21, 2019, SEC Commissioner Hester Peirce spoke at the ETFs Global Markets Roundtable. In her remarks, Commissioner Peirce spoke of the historical role ETFs have played in financial experimentation and innovation. Commissioner Peirce also commented on the fact that, since the first ETF launched in 1993, the SEC's process for approving ETFs has remained relatively unchanged. Specifically, would-be ETF sponsors must engage in the SEC's exemptive application process, in which the SEC will individually negotiate approval for the ETF to operate. Given the SEC's historically cautious approach to ETFs, Commissioner Peirce stated, "it may be a long time" before a bitcoin-based ETF is approved.

On June 6, SEC Chairman Jay Clayton, while speaking about virtual currency ETFs on CNBC, stated that issues, such as custody of digital assets and prevention of market manipulation, continue to pose concerns that the SEC is working through before approving a bitcoin ETF.

Currently pending approval by the SEC are three bitcoin ETFs: (i) Vaneck/SolidX Bitcoin ETF; (ii) Bitwise Bitcoin ETF; and (iii) Crescent Crypto Index Fund. The next deadline for the SEC to approve or deny a bitcoin ETF is August 19, 2019, the deadline for the Vaneck/SolidX Bitcoin ETF. However, the SEC can statutorily adjourn the August 19 deadline until October 18.

SEC's FinTech Forum

On May 31, 2019, the SEC held its FinTech Forum to discuss the applicability of existing regulation and custody concerns with respect to digital assets, as well as distributed ledger technology. The forum was broken into four panels:

(i) "Capital Formation Considerations," where the panelist discussed considerations for using blockchain technology for capital raising and the shift from initial coin offering to security token offerings;

(ii) "Trading and Markets Considerations," where the panelist discussed regulatory concerns for trading platforms of digital assets, disintermediation, and differentiating blockchain from bitcoin;

(iii) "Investment Management Considerations," where the panelist discussed the interplay of asset management with blockchain and crypto-assets; and

(iv) "Distributed Ledger Technology Innovations: Industry Trends and Specific Use Cases for Financial Markets," where the panelist discussed the difference between permissioned and permissionless blockchains and the various uses of both.

A primary topic among the all the panelists was how to balance the need for investor protection and avoid stifling innovation.

Utility Settlement Coin

On June 3, 2019, the Utility Settlement Coin ("USC") project announced the creation of a new company and the closure of a $63.2 million Series A financing round. The new company, Fnality International ("Fnality"), will work to create and issue a USC to be used as a settlement and payment device. In addition to payment, the USC would facilitate the transfer of trade data between the parties. Initially, the USC will be limited to five national fiat currencies—Canadian Dollar, Euro, British Pound, Japanese Yen, and U.S. Dollar, with the potential to expand in the future. Investors in Fnality include fourteen of the world's biggest bank. Fnality plans to launch the USC in 2020.

Public Quotation for Grayscale Ethereum Trust
On May 23, 2019, Grayscale Investments, LLC announced that common shares in Grayscale Ethereum Trust ("ETHE") were approved by the Financial Industry Regulatory Authority for a public quotation on the OTC Markets. ETHE is an open-ended trust which holds Ethereum and derives its value solely from the value of Ethereum. ETHE provides investors with an opportunity to gain exposure to the price movement of Ethereum without the challenges of buying, storing, and maintaining custody of Ethereum.

JP Morgan announces the JPM Coin
JP Morgan is currently testing its own digital assets, the JPM Coin, internally with a small number of institutional clients, with plans to expand the pilot program later this year. The JPM Coin would be a digital asset used to settle transactions among JP Morgan's clients, increasing settlement efficiency. The JPM Coin would be pegged to the U.S. Dollar, and may only be used within the JP Morgan ecosystem.

U.S. Commodity Futures Trading Commission ("CFTC") Approval of Bitcoin Futures Contract
CFTC has approved LedgerX's launch of physically-backed bitcoin futures contracts. LedgerX is a U.S.-regulated bitcoin derivatives exchange and clearinghouse. Unlike previously approved bitcoin futures that all pay out in fiat currency, LedgerX's bitcoin future will be the first to be paid out in bitcoin.

Funds Transaction Processor Calastone Shifts Network to Blockchain
Investment funds transaction processor Calastone announced on May 20, 2019, that it has migrated its entire network to its own blockchain, Distributed Market Infrastructure ("DMI"), a move that the London-based company estimates will save the global mutual funds market more than $4.3 billion per year. With the migration to blockchain, Calastone said its 1,800-plus customers are now connected across 41 markets, constituting the largest community of global financial services organizations using distributed ledger technology. Calastone was set up more than 11 years ago to help automate trades and integrates 10 different networks over which funds can be purchased. It receives data in the client's chosen format, normalizes it, and translates the data to another format for the counterparty. Before blockchain, the automation involved connecting silos of data using many technical messaging standards, such as FIX and SWIFT. Blockchain enables the move away from messaging between data silos that require reconciliation to shared data. Connecting to the blockchain network via Calastone's API, DMI order routing enables all relevant parties to view the same order in real time. Apart from the parties to the transaction, it is also possible to share the details with custodians, accountants, and trustees.

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