



## State Street expands capabilities in Asia Pacific

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State Street Corporation has launched a new hedge fund servicing business in Asia Pacific, and announced expansion plans for existing real-estate and private equity servicing operations in mainland China, Hong Kong and Singapore.

To support the expansion drive, State Street has appointed Carol Hall as senior managing director and head of alternative investment services in Asia Pacific. Hall will be based in Hong Kong, with direct responsibility for teams servicing private equity clients in Hong Kong and Singapore, and for the establishment of the hedge fund servicing business. Services offered will cover requirements for front, middle, and back-office, as well as a broad range of risk, performance and analytics services.

"I'm excited to take up the challenge of delivering State Street's comprehensive range of hedge, private equity and real estate fund administration services in Asia Pacific," said Hall. "Clients with investments in the region will benefit from our alternatives fund administration expertise, proven process controls and dedicated technology platforms – most importantly to be delivered by teams located in this time-zone."

The hedge fund services will be offered through International Fund Services, a State Street company and the industry's second largest hedge fund administrator and provider of middle and back office offerings supported by proprietary technology platforms. State Street already has a private equity and real estate service

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### MarketMap implemented at TradeKing

TradeKing, a nationally licensed online stock and options broker, has implemented SunGard's MarketMap market data solution. This platform will deliver multi-asset, real-time streaming, historical prices, reference data, news, corporate actions information, symbology and other key market data to support the firm's new active trading platform.

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### Societe Generale and the multilingual KIID

Societe Generale Securities Services (SGSS) can now take charge of the Key Investor Information Document (KIID) and produce it in every European language, thus completing the KIID service offering it launched for asset managers in November 2010.

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Ten markets, ten cultures, one bank.

S|E|B

## State Street expands capabilities in Asia Pacific

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business in Asia and expects to add another 60 people in Hangzhou as that business expands.

State Street established a presence in Asia Pacific as an alternative funds service provider when it acquired Mifam International Finance Administration (MIFA) in 2010, with locations in Hong Kong and Singapore. Hall said allocations into alternative assets were expected to increase over the next few years, with rising demands from investment managers in Asia Pacific, and also from North American and European clients with a trading presence in the region.

"We will provide the same comprehensive services in Asia Pacific that we are delivering today in North America and Europe," said Hall. "Functions can therefore be shared between jurisdictions, which will mean more timely and efficient service for clients."

## MarketMap implemented at TradeKing

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With the market volatility investors have witnessed in recent years, streaming tools help keep clients on top of market movements and offer real-time stock and option screening capabilities to support quick decision-making. Utilising MarketMap's streaming data, TradeKing's new active trader offering is an online trading platform built to provide users with real-time streaming market data and a flexible trade ticket. With MarketMap, TradeKing's clients have streaming access to real-time pricing, intraday ticks, gainers/losers/most actives, Greeks and options chains, as well as an aggregation capability and access to symbology support.

Dan Raju, chief information officer at TradeKing, said, "We needed a robust streaming data solution to support our new platform and provide rapid implementation flexibility. MarketMap's high quality, global data coverage and reliable and scalable infrastructure will help us deliver a superior trading experience for our clients. MarketMap will also help us increase client touch points by providing a solid framework for expanding MarketMap to our client Web and social media offerings."

Robert Jeanbart, global head of SunGard's MarketMap business unit, said, "Leveraging multiple solutions from the MarketMap product portfolio will allow TradeKing to gain access to high-quality, streaming data for its retail brokerage offerings, while helping it realise immediate efficiency gains through our comprehen-

sive cross-symbology solution, configurable data flows, and lower bandwidth requirements. This can help TradeKing reduce its total cost of ownership and market data expenses."

## Societe Generale and the multilingual KIID

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The SGSS offering, which is completely modular, is centred around the services described below and allows its asset management clients to select from among all the services on offer, from SGSS handling parts of the process to it managing the entire preparation and distribution of the KIID.

The SGSS KIID offering, which has already been adopted by large asset managers, includes the following services :

- creation of content, such as drafting the investment policy in everyday language,
- calculating the different indicators, such as the risk indicator, the presentation of past performance or calculating management fees,
- managing the compilation and distribution of the KIID in every European language: the documents are prepared by experienced teams involving asset servicing, legal, graphics, translation, quality control and distribution.

This service offering allows asset managers to respond to the UCITS IV Directive and its applicative texts which require the replacement of the Simplified Prospectus by the KIID on 1st July 2011. This document, written in the language of the country of sale, will allow investors to obtain standardised and summarised information about the main characteristics of UCITS funds.

## Clearstream XBS signs first full user

Clearstream has signed the first customer to its Cross Border Services (XBS) offering, the first pan-European cross-border settlement solution in central bank money. The XBS service suite was expanded from over-the-counter (OTC) settlement to the settlement of trades from selected stock exchanges.

biw Bank für Investments und Wertpapiere AG is now a market maker at Wiener Börse AG using Clearstream Banking Frankfurt (CBF), the German central securities depository (CSD), as settlement agent.

More than 80 Clearstream customers

around Europe already use components of the XBS service.

In line with customer demand, the initial focus of the XBS offering is on selected international markets (Germany, Switzerland, Austria, France, Belgium, the Netherlands, Denmark, Spain) that represent roughly 70 per cent of the European cross-border settlement flows.

Seamless interoperability between the markets gives the investor the opportunity to choose the most efficient and robust settlement location. Through XBS, Clearstream provides high volume standardised cross-border services for clearing, settlement and custody which enable straight through processing (STP) in a real-time environment for customers. XBS delivers the efficiencies to be created through the TARGET2-Securities (T2S) initiative years ahead of its launch in September 2014, including streamlined distribution of cross-border transactions and cost-efficient settlement.

Andreas Wolf, CEO of Clearstream Banking Frankfurt and head of product development & business strategy of Clearstream International, said: "Clearstream will be the European hub for cross-border processing in central bank money. Our strategy, based on partnerships and interoperability, will bring the efficiencies of the international Eurobond environment to the domestic markets and to all asset classes, thus anticipating future regulatory requirements. Our XBS standard services will continue to evolve to meet the needs of our customers. We are delighted to welcome biw AG as first user to take advantage of the full potential of XBS."

Dirk Franzmeyer, member of the Executive Board of biw, said: "Thanks to XBS, we were able to become a member of the Austrian stock exchange, Wiener Börse AG, without having to invest in a new, costly settlement infrastructure. We simply leverage our domestic link with Clearstream. On this basis, we can now offer our customers efficient and streamlined access to European markets and the safety level that Clearstream Banking Frankfurt provides as CSD whilst maintaining a lean back office infrastructure."

## Clearstream to enhance proxy voting services with ISS

Clearstream has entered into an agreement with Institutional Shareholder Services (ISS), a provider of end-to-end corporate governance solutions.

Clearstream will employ the ISS infrastructure to enhance its proxy voting service for all eligible

### Corporate and Investment Banking

Standard Bank offers a sophisticated range of safekeeping, clearing and related services to local and foreign institutional investors in the South African and 12 sub-Saharan markets. For information e-mail [transacts@standardbank.co.za](mailto:transacts@standardbank.co.za)

Moving Forward



instruments and Clearstream proxy voting markets, for both its business as International Central Securities Depository (ICSD) and as Central Securities Depository (CSD) for Germany.

The new service will be in place in February 2012, in time for next year's European proxy voting season.

The extended service is designed to support domestic and cross border shareholders in their governance rights and to help promote active participation in line with recent market initiatives, such as the EU Shareholders Rights Directive. Clearstream customers will benefit from extensive and timely information throughout the lifecycle of a meeting, with a range of flexible service options, including the ability to send and/or receive information via SWIFT and through the ISS online system, ProxyExchange.

The improved proxy voting service combines the Eurobond, equities, fixed income and investment fund expertise of Clearstream with the deep knowledge of local market practice of ISS. Customers will also be able to manage their share lending activity and vote on positions pledged as collateral with Clearstream.

Philip Brown, member of the Executive Board and head of client relations Europe & Americas at Clearstream, said: "We want to support investors in applying their voting rights, thus promoting active ownership. We have therefore improved our core asset services to anticipate regulatory requirements in this domain. Even if customers are not voting today, increased focus on corporate governance suggests that they are likely to want to tomorrow. Our proxy voting solution will offer customers a superior quality service across the widest possible set of securities and markets."

Stephen Harvey, head of ISS, said: "A comprehensive proxy voting service is an essential component of a credible suite of asset services. Clearstream customers will benefit from a market leading proxy voting service, taking the friction out of the process and enabling customers to focus on their corporate governance responsibilities. At the same time, our proven solution employs a fully secure application and customer data hosting in Geneva, ensuring the confidentiality of sensitive customer data is maintained."

The extended proxy voting service will include:

- Proactive meeting monitoring on a 24/7 basis
- Coverage of all Clearstream proxy voting markets
- Coverage of all Clearstream eligible assets including Eurobonds and Investment Funds
- Coverage for core custody, securities lending and collateral management products
- Support of SWIFT ISO15022 and ISO20022 formats
- Sophisticated online tool for reporting and voting

- Customised alerts
- English translations of original source documents available online (where applicable)
- Competitive instruction deadlines
- Proactive Power of Attorney management, including reminder issuance
- Confirmation of vote status
- Support from single point of contact and expert-to-expert customer service models, as per customer choice

## Deutsche Börse and NYSE Euronext to formalise tie-up

Deutsche Börse and NYSE Euronext have formally notified their planned business combination to the European Commission's Directorate-General for Competition, thereby triggering the formal start of the anti-trust review process in Europe.

The NYSE Euronext Board of Directors has scheduled a special meeting of shareholders on July 7, 2011 where they will ask the NYSE Euronext shareholders to vote to approve the combination with Deutsche Börse. The acceptance period during which shareholders of Deutsche Börse can tender their shares for exchange to the joint holding company of Deutsche Börse and NYSE Euronext (Alpha Beta Netherlands Holding N.V.) will end on July 13, 2011.

The combination of Deutsche Börse and NYSE Euronext creates:

- a genuine transatlantic market infrastructure, positioning Europe as an equal partner to the US in leading the development and harmonisation of effectively regulated capital markets;
- a true, pan- EU equity stock market, with single currency trading and the deepest pool of liquidity in Europe, which thereby advances the European Commission's vision of a single, integrated, pan EU €-denominated capital market;
- significant benefit for clients and issuers thanks to increased efficiencies and reduced costs from opportunities for post-trade harmonisation.
- the premiere global exchange, allowing Europe to strengthen and solidify its role as one of the world's most important financial centers now and into the future.
- The transaction is subject to a number of conditions, including approval by the relevant competition and financial, securities and other regulatory authorities in the US and Europe.

## CACEIS and Fastnet become single entity

Following the recent acquisition by the CACEIS group of the remaining 47.8 per cent stake in Fastnet Luxembourg, CACEIS now holds a 100 per cent stake in the company. As a result,

with two fully owned entities in Luxembourg the decision has been taken to merge Fastnet Luxembourg into CACEIS Bank Luxembourg with effect from 1st July 2011. The new merged entity will operate under the CACEIS Bank Luxembourg name.

According to Pierre Cimino, managing director of CACEIS Bank Luxembourg, "This merger is another step that can enhance and accelerate the development of CACEIS in Luxembourg."

## Societe Generale globalises its transfer agency solution

Societe Generale Securities Services (SGSS) now provides clients with a single platform transfer agency solution for investment funds domiciled in Luxembourg or Ireland.

This single platform is the latest phase in the development of SGSS' global Fund Distribution Services offering, providing asset managers with a simpler reporting and follow up with funds domiciled both in Luxembourg and Ireland, where domiciled UCITS funds amount to EUR 2,640 billion and accounted for over 43 per cent of the European UCITS industry total net assets.

The platform combines the traditional UCITS strength of the Luxembourg platform with SGSS' hedge fund specialisation in Ireland, providing a powerful service platform for a broad spectrum of funds from alternative funds and alternative UCITS to traditional UCITS products.

The fund distribution services of SGSS include recordkeeping of funds, handling of subscriptions/ redemptions, trailer fees calculation and payment to distributors and support to asset managers in their distribution of funds (paying and representative agent function).

This new single platform will also enable Irish-registered funds to be linked to the NSCC (The National Securities Clearing Corporation) distribution platform in the US or to be serviced by SGSS' local Asian office accessing the same technology. SGSS will thus be able to serve asset managers in their distribution of Irish domiciled funds either in Asia, through its Hong Office linked to the Irish platform, or in their distribution to American investors, thanks to its connectivity with NSCC platform. This technology will also simplify the process for UCITS IV initiatives such as cross-border mergers and master-feeder structures.

## Erste picks SunGard

Polish brokerage Erste Securities Polska has selected SunGard's Valdi, a suite of order management and trading solutions that will also help it connect to the Warsaw Stock Exchange. Valdi will help the company to handle rising order volumes and manage client connections quickly and cost-effectively.

SunGard's Valdi Order Management System will help Erste Securities Polska manage com-



plex client and internal order flows, and add new client connections quickly. Erste Securities Polska will also use Valdi's basket trading functionality and pre-programmed synthetic orders, as well as the functionality to build custom algorithms.

Piotr Prażmo, member of the Management Board at Erste Securities Polska, said, "We have chosen to strengthen our cooperation with SunGard in order to meet the trading platform changes planned by the Warsaw Stock Exchange. SunGard's Valdi solutions will be easily integrated with our existing infrastructure, thus helping us provide our clients with faster time-to-market and advanced services cost-effectively."

Raj Mahajan, president of SunGard's global trading business, said, "The dynamic and growing nature of the markets in Central and Eastern Europe means that flexibility of technical infrastructure is of primary importance for any top brokerage house. SunGard's Valdi solutions can help Erste Securities Polska achieve rapid connections to new clients and add new trading capabilities like algorithms in a straightforward way, enhancing its ability to respond quickly to new and emerging requirements from its clients. SunGard is pleased to be cooperating with Erste Securities Polska to bring the benefits of electronic trading to new markets."

## Sanne Group receives SAS 70 accreditation

Sanne Group has obtained SAS 70 accreditation on key aspects of its fund administration business following an independent audit conducted by KPMG. Sanne is one of a small number of independent administrators worldwide to receive such accreditation.

Following an audit of key controls and processes within the funds business, specifically around the preparation of net asset values, Sanne received a service auditor's report with an unqualified opinion issued by KPMG.

Statement on Auditing Standards (SAS) No. 70 is the authoritative guidance that allows service organisations to provide a uniform report to customers detailing their control activities and processes. The issuance of a service auditor's report prepared in accordance with the SAS 70 procedures signifies that a service organisation has had its control objectives and control activities examined by an independent accounting and auditing firm. The service auditor's report is supplied to the audited company at the conclusion of a SAS 70 examination.

Simon Young, managing director at Sanne Group said "We are pleased to have obtained internationally recognised accreditation for key controls in place across our funds business and we would like to thank KPMG for conducting the recent review. At Sanne we are focused on implementing robust administration solutions

and SAS 70 provides independent assurance that our service platforms offer customers the highest standards of governance and control."

Andrew Quinn, an executive director at KPMG commented "We are happy to have helped guide Sanne through the SAS 70 process. The service auditor's report when supplied to the service organisation allows user organisations and their auditors to have access to the same information. This can help differentiate the service organisation from its peers by demonstrating the establishment of effectively designed control objectives and activities. A service auditor's report can also help a service organisation build trust with its customers."

## Thomson Reuters launches hedge fund solution

Thomson Reuters has launched a fully integrated workflow solution bringing together Thomson Reuters Eikon and Elektron to provide the content, portfolio tools and connectivity hedge fund managers need to systematise their operations and drive returns.

In an increasingly competitive marketplace hedge funds have been under greater pressure to deliver superior investment returns. They also face growing demands, both from investors and regulators, to demonstrate insight into their performance and investment methodology. The new solution provides all the real-time content, analytics and tools that hedge fund managers need to improve returns and provide transparency. It does so by helping them quickly identify and act on new trading opportunities; mitigate risk by maintaining real-time position analytics; and measure performance via detailed portfolio reports that can be used both for internal and external publication.

To help hedge funds adapt as they move from single prime brokerage relationships, the solution takes care of all of the connectivity and data management challenges from multiple prime brokerage providers and fund administration services, along with all of the additional pricing and reference data required to support their operations.

It incorporates a wide range of broker neutral trading capabilities to accommodate the sophisticated trading needs of customers. Users can direct order flow to over 700 executing brokers, algorithmic trade engines and other alternative pools of liquidity via the Thomson Reuters order routing network. They can also source natural liquidity, receive indication of interest/trade advertisements in real time, perform transaction cost analysis, and gain direct market access to trading venues around the world.

Gerry Buggy, global head of hedge fund markets, Thomson Reuters, said: "Regulatory reform and market demand for greater transparency is creating a complex landscape for

the hedge fund community. This has led to a greater requirement for integrated technology and data solutions. What we have brought to market not only helps hedge fund managers deliver superior returns, it also simplifies their operations by providing a fully managed solution that includes multi-prime broker capabilities and all of the associated workflow tools to manage and scale their operations."

The open-architecture of Thomson Reuters Eikon provides the ability to include third party and proprietary applications into the desktop to create a fully integrated solution. Included is the Aura portfolio and order management system from Athena Investment Systems, which draws real-time and static data from Thomson Reuters Eikon via a desktop API, and is hosted over Thomson Reuters high-performance infrastructure Elektron. Thomson Reuters Elektron is the only cross-asset trading and data infrastructure to offer global low-latency market access, content and distribution with a fully integrated set of cutting edge, best in class trading applications, delivered as a managed service, across co-location and proximity hosting sites in the world's key financial centers.

The Aura portfolio management system supports a wide range of hedge fund strategies with tailored portfolio analytics including real-time risk, detailed performance reports, surveillance and alerting features to allow hedge fund managers to meet regulatory, accounting and corporate governance standards.

Fredrick Scuteri, managing director and US Head of Hedge Fund Markets, Thomson Reuters, adds: "Delivering a solution to aggregate real-time portfolio and risk information, as well as providing order routing capabilities addresses all of a hedge fund manager's workflow needs in one integrated platform. The solution is quick to deploy, cost effective and effortless to maintain, and includes the most sophisticated news, content and research tools in the market."

The new workflow solution is now available to hedge fund managers in North America, providing them with immediate access to a fully integrated solution to support their operations and help them to grow their business.

## Brazilian regulator ranks Citi no.1

Citi has been ranked number one in private equity fund administration services by the Comissão de Valores Mobiliários (CVM), Brazil's securities regulator, in a ranking of assets under administration.

At the end of the first quarter 2011, Citi administered assets of BRL 12 billion (US \$7.5 billion), with a market share of 17.8 per cent - a six-percentage-point advantage over the next largest administrator. Brazil's private equity market has been growing at a rapid rate as it continues to benefit from incentives that encourage investments by domestic pension funds and tax advantages

to international investors. Since June 2010, growth in private equity funds has exceeded 35 per cent and assets have reached BRL 66 billion (US \$41 billion).

The rapid growth has stretched the resources of private equity firms as they set up investment vehicles, make investments and raise assets. To help its clients, Citi combines experienced global teams of private equity administration professionals with local securities and banking teams to deliver solutions that enable private equity funds to focus on investing assets and serving their local and international investors.

"Brazil has become an important participant in the global private equity marketplace as the infrastructure investment demands and a rapidly growing economy increasingly attract private equity funds," said Sanjiv Sawhney, Global Head of Fund Services, Citi. "With Citi's 7,000 employees and local presence in Brazil since 1915, we are superbly positioned to provide a full suite of industry-leading fund administration services to the market, both now and in the future."

## BNY Mellon picks up Barclays mandate

BNY Mellon Asset Servicing, has been appointed by Barclays Wealth Funds Limited to provide transfer agency and fund accounting services to UK-domiciled assets valued at 4 billion pounds Sterling (US\$6.4 million).

The new mandate builds on BNY Mellon's existing long-standing relationship with the client, and increases total Barclays Wealth fund assets under custody and administration by BNY Mellon to 17 billion pounds.

The addition of these assets to Barclays Wealth Funds Limited as the Authorised Corporate Director and Unit Trust Manager also demonstrates Barclays' ongoing commitment to building its presence in the UK investment market.

David Dalton-Brown, head of Barclays Wealth Funds, said: "I am very pleased to have this opportunity to extend our valued and business critical partnership with BNY Mellon. BNY Mellon's growing support for our business has allowed Barclays to establish itself as one of the leading multi-domicile fund companies in the market. Our relationship with BNY Mellon is a very important one - we have already successfully worked closely with BNY Mellon in a number of key business areas, including the recent successful launch of our new online Execution Only investment platform. BNY Mellon was integral in ensuring this time sensitive project was delivered as planned, together with the required high quality of multi-channel customer service."

Frank Froud, head of EMEA at BNY Mellon Asset Servicing, said: "Our ability to address Barclays' evolving needs and our deep strategic understanding of their business goals has been the basis of our robust and successful partnership. We are delighted to have this opportunity

to further expand and strengthen the valued relationship between our two organisations."

## Vistra rebrands Acceptor

Vistra will be rebranding Acceptor to the Vistra name. The rebranding follows Vistra's successful merger announced in March with the Offshore Incorporations group of companies, the Asian market leader in company formation and associated services. As part of the Offshore Incorporations group, Acceptor is a premier corporate services provider, with offices in Hong Kong, Singapore and Taiwan. Acceptor has a 30 year history in Asia having originally been owned HSBC and Mayer Brown JSM (formerly known as Johnson Stokes & Master) until it became an independent service provider in the late 1980's.

Acceptor clients will now have the added benefit of access to the full range of Vistra group products and services from their network of 20 offices in 18 jurisdictions.

The rebranding marks the next step in the creation of a world-leading player in the trust and fiduciary industry, boasting the most balanced geographic reach globally. The group aims to offer clients an unparalleled suite of services and solutions in the areas of fund administration, trust and corporate services.

Commenting on the rebrand, Bart Deconinck, executive chairman of the Board of the combined group, said: "This merger will reinforce mutual strengths and existing market leadership positions. It will also ensure our reputation for service delivery excellence is maintained. I am particularly pleased with the speed and efficiency with which this stage has been accomplished and our immediate focus now is to realise potential of the merger for our clients and colleagues."

Martin Crawford, group CEO said: "Acceptor is in the unique position of having a 30 year pedigree and a large, experienced, bilingual team who understand the issues relating to cross-border business and investment structuring in Asia. With the strength of the Vistra brand and experience, our staff can now also bring to clients the benefit of European solutions."

## BNY Mellon wins Direxion mandate

BNY Mellon Asset Servicing has been selected to provide exchange-traded fund (ETF) services, custody, fund accounting and fund administration for nine ETFs from Direxion Shares.

The 3X Leveraged Bull and Bear ETFs seek daily investment results of 300 percent and daily inverse results of 300 per cent, respectively, of the price performance of their underlying indices. The Daily Total Market Bear 1X ETF seeks inverse daily investment results that mirror the price performance of its underlying index.

"BNY Mellon was chosen to service these new funds because of its ability to meet the daily needs of our complex portfolios," said Daniel O'Neill, president and chief investment officer of Direxion Shares.

"This appointment further extends our strong partnership with BNY Mellon and we are confident that its support will be a key component to the success of these new funds."

"We continue to see rapid innovation in the ETF arena as firms such as Direxion provide sophisticated investors with the tools to take advantage of a broad range of market opportunities," said Joseph Keenan, managing director and global head of exchange-traded fund services at BNY Mellon Asset Servicing.

"Our ongoing investments in technology and client service have positioned BNY Mellon to provide the efficient and risk mitigating support that fund managers demand."

## Pershing adds Altegris, Invesco and TIAA-CREF to FundVest

Pershing, has added Altegris, Invesco and TIAA-CREF funds to FundVest, Pershing's no-transaction fee mutual fund platform. It also expanded access to the current Invesco fund offering, including the legacy Van Kampen product line, which more than triples the overall offering in the Invesco fund family on the Pershing platform.

Mutual funds from these financial organisations are now available to Pershing's introducing broker-dealer customers and the clients they serve, and to independent registered investment advisors and their clients through Pershing's affiliate Pershing Advisor Solutions. FundVest allows investors to buy, sell or exchange load and no-load funds without incurring regular transaction fees. Pershing's platform now features 4,300 mutual funds managed by more than 230 fund families.

Sandy Motusesky, director of investment solutions in the product management and development group at Pershing, said, "Pershing continues to offer our customers market-leading solutions and access to funds from select financial institutions that will help customers grow and expand their businesses. The addition of the Altegris funds, Invesco funds and TIAA-CREF funds to the FundVest platform will bring a wider selection of choices for our customers who will not only benefit from our no-transaction fee platform structure, but will also have the opportunity to provide their clients with a more diversified group of investment options to help them meet their financial goals."

Pershing has continued to expand the number of mutual fund families available through FundVest. More than 20 industry-leading mutual fund companies have been added to the platform in 2011, including Lord Abbett®, Janus Funds and ING Fund Services, LLC.





## South Africa

South Africa had a good 2010 compared to many other economies, and assets are set to rise in a fiercely competitive back office market

### BEN WILKIE REPORTS

The World Cup earlier this year put a real focus on South Africa, showing it as a modern vibrant nation that - while not without its problems - is a beacon to the rest of the continent. 20 years after Nelson Mandela's release and the beginning of the end of apartheid, the country is increasing its wealth and open for business to the wider world.

While South Africa remains a comparatively small market compared to the Western giants, it has been punching above its weight for some years. While it certainly suffered during the downturn, it has bounced back well, and asset levels are now on a par with those seen three years ago.

The performance of the market over the past year is also leaving asset servicing smiling.

According to statistics from the Johannesburg Stock Exchange (JSE), the number of equity transactions rose 22.4 per cent in the first half of 2010, generating revenue for the JSE of ZAR164.8 million (£15.41 million), a 13.4 per cent increase.

### Regulation

From being a fairly insular economy, the South African government and regulators have decided to open up somewhat in the past couple of years. Of course, part of the reason for the country's relative immunity to the international economic downturn was its existing regulation, which meant that domestic investors tended to invest domestically, while interna-

tional players were not in the market enough to spread the contagion.

But there is an understanding that if the country is to compete on the international stage - and to improve the lives of its citizens, particularly those at the bottom of the ladder - South Africa must become more internationalist.

In October 2008, foreign exchange controls were relaxed, meaning foreign capital allowance for residents, which was last adjusted in 2006, would be increased from ZAR2 million to ZAR4 million, while the single discretionary allowance would be increased from ZAR500,000 to ZARR750,000.

The Government also raised the limit on the amount institutional investors can take offshore

by five percentage points. The limit will be between 25 per cent and 35 per cent for investors, depending on both the type of investor and the type of investment.

“Previously, the foreign exchange controls placed obvious constraints on the industry and the available assets to service in the local market,” says one custody leader. “These constraints have now been eradicated and investors can now look further at greater investments into sub-Saharan regions, as just one example,” who adds that foreign investment into the region will now become more appetising, and domestic investors looking to expand their footprint in Africa will now be more attainable. From a securities services provider perspective, the future looks very promising.

The South African government has also announced a review of the prudential framework for foreign investment by private and public pension funds. This will include the Government Employees Pension Fund. A prospective review date is yet to be announced.

## The Johannesburg Stock Exchange has invested heavily in technology and infrastructure and is now looking to bring the settlement timeframe more in line with modern standards

It's not just the Government that is looking to bring in the changes. The Johannesburg Stock Exchange has invested heavily in technology and infrastructure and is now looking to bring the settlement timeframe more in line with modern standards. Currently at T+5 settlement, many in the industry have voiced concern that as volumes grow, the potential for reducing liquidity and efficiency and increasing risk also grows. As a result, the exchange is looking to move to T+3 as soon as possible.

## Interest

New funds have entered the market, while many of the existing participants have expanded their offerings. This is combined with the country's position at the forefront of a continent that is increasingly open for business. The risks of investing in many newer markets, however, means that many firms prefer to base themselves in the relatively safe environment in the south while looking for opportunities elsewhere.

In 2009, HSBC launched its SA synthetic DMA platform and expanded its Market Access product to a number of neighbouring countries, including Nigeria, targeting an increasing number of investors with an interest in this part of the world.

“We have high hopes for many of these markets,” says a spokesman for one South African bank. “We have given ourselves the opportunity to kickstart the market here - as they become more sophisticated and more funds look to invest in this area of the world, we are going to be able to service the investment that comes in. We don't expect there to be enormous growth straight away, but there will be business and we are in a prime position to take advantage of that.”

It's not straightforward, though, as head of business development at Finsettle Ted Hampson explains: “Common challenges are faced by the different exchanges across Africa, which include liquidity in the markets, standard or similar governance and reporting principles, effective and standard settlement cycles at T+?, effective use and/ or adaptation of technology, movement to electronic trading systems, the need to increase bandwidth, education of companies towards listing as a capital raising alternative, consumer education related to investing in a stock exchange, effective available research, education and training of market participants, customer management systems and techniques, navigating the needs of different exchanges, countries and regions as further trust is fostered for all to take advantage of the future opportunities. These common challenges present business opportunities for those with vision....”

## Players

The big global names are out in force in South Africa, with Societe Generale, State Street, J.P. Morgan and others leading the way. Domestically, Standard Bank has a reputation for quality of service at a low cost, while other African banks - in particular those from Nigeria - have a small but growing footprint.

And all of this is designed to offer clients access to markets across the whole continent - or at the least those countries in central and southern Africa. Last year, Standard Chartered Bank set down a marker in Africa after buying Barclays Bank's one remaining foothold in the business.

Barclays exited the custody world in 1998, leaving only its pan-African operation. While it insists the business is still profitable, management by a global operator would give it a boost, according to Barclays.

Operations are present in eight countries where direct custody capabilities have been added: Botswana, Ghana, Kenya, Mauritius, Tanzania, Uganda, Zambia and Zimbabwe.

Indirect capabilities are available in Egypt, Cote d'Ivoire, Malawi, Morocco, Namibia, Nigeria,

Tunisia and South Africa. These are provided through a network of third party sub-custodians powered by an operations hub in Mauritius.

## As South Africa matures, many experts believe it will pull its neighbours up behind it

It's this sort of operation that international funds are increasingly sourcing. And as South Africa matures, many experts believe it will pull its neighbours up behind it. “We're confident in South Africa and have a lot of investment there,” says a representative of one fund management company. “Nearby, we would be happy to work in Botswana and, to a lesser extent Kenya and Tanzania. We're hoping that more as more countries come on stream, we will have more opportunities to operate outside Johannesburg. **AST**

## SGSS wins Grindrod mandate

Societe Generale Securities Services (SGSS) has been mandated in South Africa by Grindrod Asset Management, the asset management division of the Grindrod Bank Limited, to provide custody and trustee services for its Collective Investment Scheme.

This mandate results from SGSS's strategy to add to its custody offering in South Africa by establishing global trustee services for collective investment schemes managers and pension funds and recognises the local and international expertise that SGSS has built up in the country. With the new trustee offering, SGSS becomes the first foreign bank being a trustee for collective investment schemes. SGSS now offers a full range of services to a client-base of asset managers and pension funds in South Africa.

SGSS's overall offering in the country now includes both local and global custody, clearing & settlement services across all asset classes, as well as securities lending and treasury solutions. SGSS activities are headed by Hilda de Villiers, Head of Trustee and Custody for SGSS in South Africa.

## Next issue: Custody in Hong Kong



# Best execution

KAS Bank conducted research on the opportunities and challenges open to traders within the post trade landscape. Here's the story so far

## BEN WILKIE REPORTS

MiFID I opened the door for competition in the marketplace by recognizing two new types of trading destination beyond the incumbent regulated markets: multi-lateral trading facilities and systematic internalisers. MiFID's aim was to pursue best execution through competition, and required investment firms to:

"...take all reasonable steps to obtain, when executing orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order."

From the start the definition of best execution was broader than merely obtaining the "best price" during trading, demanding as it did an unprecedented level of pre- and post-trade transparency. In reality, though, the envisaged outcome has been much harder to realise. Introducing competition among trading venues has had two major effects: trading fees have fallen significantly, but there has also been a corresponding fragmentation of liquidity, increasing the costs of finding it. Trades are now executed in much smaller fills, with clear implications for the post-trade environment, which has become increasingly complex.

On any given day, a broker's smart order routing system will drive trades in a given stock through multiple exchanges, MTFs, dark pools and internalisers, depending on where the liquidity and best spreads are to be found. The result: a single order will now be filled by multiple executions, which must be dealt with by the back-office. On the one hand, the client has benefited from the best price available. On the other, post-trade costs have generally risen and also become less predictable and transparent. So whilst it is true that infrastructural clearing fees have fallen, overall trading costs have risen due to complexity and liquidity fragmentation.

For argument's sake, consider an order for a UK blue chip stock that is split between LSE, Chi-X, Turquoise and BATS. One order results in four fills, the trades are cleared through up to three CCPs, and end in three net settlements. Most importantly, the potential for trade netting

is greatly reduced and the number of margin calls increased.

Furthermore, some CCPs use third-party providers to facilitate the settlement leg (transfer of ownership at CSD level) resulting in yet another link in the chain, leading to additional cost and potential delay and processing inefficiencies. The probability of failed trades, buy-ins and fines also increases.

## European competitiveness

Meanwhile, in the US a very different and much more efficient picture emerges. It is striking to note not only that the US produces roughly the same gross domestic product with 200m fewer people, but also that the companies representing that GDP are quoted on four systemically important trading venues, compared with 28 in Europe. The most notable difference, however, is the number of central counterparties and securities depositories: just one in the US (the Depository Trust & Clearing Corporation, or DTCC) but no fewer than 23 in Europe.

This scenario has clear implications for the long-term ability of the European markets to attract global investment. In many quarters the DTCC, as the exclusive depository gateway in the US, claims the credit for attracting the investment capital that fuels the US economy, by means of an efficient, low cost and centralised infrastructure. In comparison, Europe continues to limp along with an infrastructure that remains completely fragmented along national lines.

This is partly due to the European Commission's unwillingness to make up its mind on how best to tackle the substantial challenges of achieving cross-border post-trade consolidation. The inescapable question is how to divide this project between the private and the public sectors. To date, the Commission has opted for a bottom-up approach, relying on competition among market participants to drive efficiency. But, as we have seen, this has resulted in a negative correlation between the respective efficiency of the front and back offices. The process of competition, while driving down the cost

of trading itself, has increased complexity and with it overall costs.

There is no doubt that competition has an integral part to play in lowering costs and driving innovation, but for this to work there must be a level playing field to facilitate the corresponding post-trade efficiencies. Unfortunately, voluntary interoperability between central counterparties across Europe remains a distant prospect. As a consequence the European markets neither enjoy the benefits of an efficient monopoly (as in the US) nor operate in a landscape that allows genuine competition.

A single, pan-European central counterparty to clear trades per asset class, for example, would allow European brokers to benefit from post-trade costs on a par with those enjoyed in the United States. But for this vision to be realised, there is a clear requirement for vision and leadership from the European Commission. As the Norwegian proverb has it, "There is no wind that blows right for the sailor who doesn't know where the harbour is."

## The challenges facing traders

Until Europe achieves a genuinely unified market – a process that took the United States nearly 25 years to complete – it is certain that the scenario outlined above will continue to affect the overall cost of trading across national boundaries. Therefore traders will find capital efficiency increasingly difficult to attain.

In other words, due to widespread uncertainty as to how these many issues and developments will pan out, the likely market structure in three years – let alone five or ten – remains clouded. Market participants, faced with almost daily upheaval and a constant drip-feed of communication from a variety of sources, are hard pressed to define strategies over timescales of longer than 12 months.

And while the broker community in Europe is facing upward pressure on both their internal and external costs, end-investors are becoming increasingly aware of the need to mitigate counterparty risk on the execution side. **AST**



## Industry Appointments

UBS has appointed **John Dymont** global head of hedge fund distribution, based in New York. Dymont will be responsible for the management and development of UBS's hedge fund franchise, with global functional responsibility for sales, capital introduction and business consultancy services to the hedge fund community within Global Prime Services along with responsibility for coordinating all hedge fund sales activities across the investment bank's FICC and equity divisions.

Dymont joins UBS from Shumway Capital Partners, which at its peak was a \$9 billion multi-asset hedge fund based in Greenwich, CT. Prior to Shumway, where he was president, Dymont was managing director at Deutsche Bank, where he managed the Global Hedge Fund Capital Group. Prior to Deutsche Bank, Dymont worked for Goldman Sachs, building the firm's capital introduction and consulting services businesses.

Broadridge Financial Solutions. has appointed **Jay Pila** as senior vice president and general manager of its Securities Processing Solutions, International business for the Americas, responsible for driving growth initiatives for Broadridge's international processing solution range for banks and brokers, investment managers and corporate treasurers.

Pila joins Broadridge with over 24 years of experience in the financial services industry, with a strong track-record of driving revenue growth and building industry relationships. Prior to joining Broadridge, Pila was most recently with Fiserv where he was a divisional general manager and the corporate SVP of the sales division for investment services.

**Peter McGowan** has joined law firm Proskauer as a partner.

McGowan has broad-based experience in UK and EU regulatory matters governing the full range of corporate transactions, as well as funds structuring across private equity, retail, real estate and hedge funds. He advises

on outsourcing, M&A, fund administration and custody arrangements in the investment management sector and counsels principals and agents in the investment services industry on private stock lending, foreign exchange and derivative trading arrangements. McGowan will join Proskauer from Berwin Leighton Paisner in London, where he is a partner.

"Peter's knowledge of the complexities of the regulatory landscape and its impact on transactions, investments and operations across the private investment funds space will make him an important strategic addition to our practice," said Mary Kuusisto, head of Proskauer's London office and a member of its Private Investment Funds Group and Tax Department.

Robin Painter, co-chair of the firm's Corporate Department and co-head of its Private Investment Funds Group, explained that the breadth of McGowan's skill set will be a key asset as the market becomes increasingly complex. "As our clients located and doing business in Europe face a constantly evolving regulatory framework and the advent of sweeping new rules and directives, Peter will be an important resource in helping them to navigate change and build future success for their funds, investments and portfolio companies," she said.

The DTCC has named **Robert Garrison** chief information officer, effective July 8. He joined the organisation in October 2010 as a managing director and chief development officer of its Information Technology division.

In his new position, Garrison will have enterprise-wide responsibility for the ongoing development and testing of all the technology that supports DTCC's post-trade infrastructure, which includes multiple data centers; communications networks; processing and messaging systems (which receive and respond to more than 2.4 billion messages each day); the IT applications underlying DTCC's broad range of products and services; business continuity, and information security.

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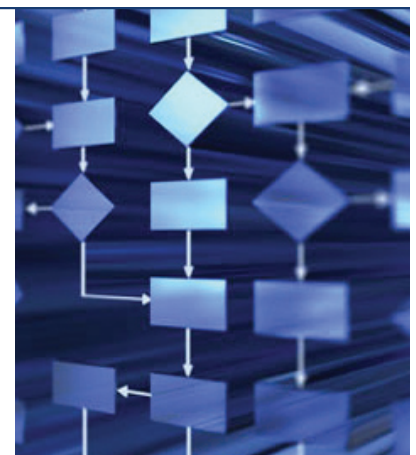
This infrastructure protects the certainty and reliability of DTCC's post-trade processing capacity which, in just one of DTCC's business functions, has handled close to 315 million transactions on a peak day and is capable of processing 850 million transactions a day.

Garrison will report to Bodson. He assumes the role of CIO from Jacob Feuchtwanger who will be retiring in early July after a distinguished 31-year career with DTCC. **AST**



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