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## Aubrey appoints RBC Dexia

EDINBURGH 06.12.2010

RBC Dexia Investor Services has been appointed by Aubrey Capital Management, the Edinburgh based investment management group, who have a specialisation in global conviction investment funds, to be the trustee and to provide global custody, fund administration, foreign exchange and transfer agency services for two UCITS funds to be serviced out of Dublin.

"RBC Dexia helped us launch our Australian domiciled fund earlier this year and their subsequent service and support continues to impress us," said Barry McCorkell, CEO at Aubrey Capital Management.

"Their significant investment in distribution support and expertise in setting up and servicing UCITS structures, combined with the client service excellence they have already proven, made this appointment the natural choice."

Existing RBC Dexia client, Treasury Group (TRG) acquired an equity stake in Aubrey Capital Management in late 2009. Treasury Group partners with boutique fund managers like Aubrey Capital Management in developing their businesses through marketing and distribution, governance, risk and compliance services and business administration.

"RBC Dexia's on-the-ground support in Dublin during the set up of Aubrey's UCITS funds was instrumental to our appointment," said David Travers, managing director at RBC Dexia.

"Having a strong relationship with Treasury Group and working with Aubrey on their Australian domiciled fund gave us a clear understanding of their unique requirements and their business goals."

### Northern Trust wins Shetland mandate

Northern Trust has been appointed to provide global custody services to USD65 million in council assets for the Shetland Islands Council. This latest win complements GBP234 million in assets Northern Trust already custodies for Shetland Pension Fund.

[readmore p2](#)

### AP1 sets tough new custody rules

Sweden's Första AP-fonden (AP1) is reviewing its custody arrangements and has set stringent new conditions for applicants. Any global custodian applying must have been rated by S&P, Moody's or IBCA and have a minimum rating of A/A1 or A. They must also have a minimum of USD1 trillion under custody already.

[readmore p2](#)



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## Northern Trust wins Shetland mandate

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"We have developed a strong relationship with Northern Trust since we appointed them as custodian for the pension fund in 2002," said Colin Bain, treasury accountant at the Council. "Their ability to deliver tailored reporting that meets our requirements is of key importance to us and it made logical sense for us to extend our mandate to include our council assets."

The Shetland Islands comprise over 100 islands - 15 of which are inhabited. The Council is one of 32 local authorities across Scotland and serves a population of approximately 22,000 people.

"We are delighted to have been awarded custody of these assets for the Council, further extending our relationship with Shetland," said Penelope Biggs, head of Northern Trust's Institutional Investor Group for Europe, Middle East and Africa. "We look forward to continuing to work with the Council to support their unique and evolving requirements."

Northern Trust services one-third of all UK Local Government Pension Schemes (LGPS), including more than 50 per cent of the Scottish LGPS sector.

## AP1 sets tough new custody rules

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While sub-custodians will be permitted under the contract, AP1 itself does not want to deal with them, and the global custodian must indemnify AP1 against any potential losses if a sub-custodian becomes insolvent.

The SEK181 billion fund will also require details of the custodian's other clients, divided into bands according to the value of assets under custody. It will require more information on Swedish and other Nordic countries.

The successful custodian must also have a European operations centre, and be open for the same hours as the MSCI All Country World index.

Custodians thought to be in the running include J.P. Morgan, BNY Mellon, Citi, Northern Trust and State Street.

## BNP Paribas wins ATOS master custody mandate

BNP Paribas Securities Services has been mandated as master custody provider by three UK-based pension schemes of ATOS Origin with total assets under management of GBP685 million.

ATOS Origin is a leading international IT services provider offering large multi-national cli-

ents integrated design as well as building and operating solutions in carefully targeted industry sectors. The mandate is an exciting milestone for BNP Paribas Securities Services' UK business as it is the bank's first direct UK pension fund client.

Michel-Alain Proch, group CFO of ATOS ORIGIN said: "The Trustee of our UK-based pension schemes went to market to find a service partner to provide custody solutions and I am glad to see that BNP Paribas represented the most convincing and comprehensive offer to suit their specific requirements. We are delighted that the Trustee has decided to be partnered with a financially robust company with the spread of solutions to address increased monitoring imperatives."

James McAleenan, head of BNP Paribas Securities Services, UK, Middle East and South Africa commented: "We have been committed to the pension fund segment across Europe for many years and are delighted to have signed such a key name which is a first for us in the UK market. The ATOS Origin Trustee was impressed with the breadth of our offer within the BNP Paribas MasterSuite for Pension Funds offering, which is designed to help pension funds protect investments, evaluate portfolios, monitor risks and enhance return. The Mastersuite for Pension funds strategy seeks to build on our continually expanding range of securities services solutions worldwide to deliver global solutions geared to meet the specific needs of the pension fund market."

## Northern Trust good for Health

Northern Trust has been selected as global custodian for John Muir Health of Walnut Creek, California. Northern Trust will provide global custody for more than \$800 million in pension, endowment and operating funds, as well as benefit payment services for the organisation's pension plan.

"Northern Trust's combination of reporting and technology wrapped in a client service package showcased its commitment to the complex needs of not-for-profit institutions," said Greg Schwartz, director of treasury for John Muir Health. "With a single, global operations platform and a single point of contact, Northern Trust will help us to maximise efficiencies across our programs, while we focus on our core objectives as an institution."

John Muir Health is a not-for-profit organisation that includes two of the largest medical centers in Contra Costa County. Its Walnut Creek Campus and Concord Campus are recognized as preeminent centers for cardiovascular care, orthopedics, neurosciences, cancer care and high-risk obstetrics.

"We are proud to have been selected as the global custodian for John Muir Health, a premier health care organisation that maintains the highest standards in its industry," said Laurie Neu,

group head for public entities and institutions at Northern Trust. "Northern Trust meets the accounting and benefits payment needs of health care clients with sophisticated investment strategies and a dedicated team."

## Citi wins Global X Funds mandate

Citi has won a mandate to provide third-party securities lending services for Global X Funds family of exchange traded funds.

"Citi provided the right combination of leading expertise, risk management capabilities and flexibility to tailor its securities lending programme to the specific characteristics and requirements of Global X Funds," said Bruno Del Ama, CEO, Global X Funds. "The global reach of Citi's transaction services business is a great complement to our global asset management business."

Added Neeraj Sahai, global head, securities and fund services, Citi: "We greatly look forward to strengthening our relationship with Global X Funds by leveraging our capabilities both across securities and fund services and across the entire Citi enterprise."

Through OpenLend, Citi provides securities lenders boutique service to enhance their portfolio performance by delivering an open architecture that provides access to agency, third-party, hybrid and exclusives lending by leveraging Citi's key strengths: unsurpassed global branch network, flexibility, innovation, dynamic reporting, risk management and real-time controls.

Citi currently partners with ETF asset managers around the globe offering solutions focused on trading, clearing, securities finance, custody, back and middle office solutions and has made recent efforts to expand its depth of services from North America to the Asia Pacific region. In addition, Citi can tailor a securities lending programme for ETF asset managers that leverages its agency, principal and ETF trading capabilities.

## Suncorp Life updated for Oz tax changes

Suncorp Life, a division of Suncorp Metway, is now able to support Australia's new legislation for the Taxation of Financial Arrangements (TOFA).

Suncorp Life's long-term administration platform, HiPortfolio, is now TOFA-ready and benefiting from its recent multi-million dollar enhancement project completed in conjunction with the DST Global Solutions Advanced User Group (AUG) financial services community. The project not only helped HiPortfolio users with their obligation to meet TOFA legislation requirements, it also produced a range of additional benefits for participants.

Time	Flight	Destination
15:10	OTP 8361	BUCHAREST
15:20	WAW 8369	WARSAW
15:30	SVO 0418	MOSCOW
15:35	BUD 5372	BUDAPEST
15:40	PRG 0623	PRAGUE
15:50	KBP 102	KIEV
16:00	SOF 462	SOFIA
16:15	BUD 5372	BUDAPEST
16:30	PRG 0623	PRAGUE
17:15	KBP 102	KIEV
17:20	BTS 0667	BRATISLAVA
17:30	SOF 462	SOFIA
18:10	OTP 8361	BUCHAREST
18:20	WAW 8369	WARSAW
18:30	SVO 0418	MOSCOW
18:35	BUD 5372	BUDAPEST
18:40	PRG 0623	PRAGUE
18:50	KBP 102	KIEV
19:10	BTS 0667	BRATISLAVA
19:20	SOF 462	SOFIA
20:10	OTP 8361	BUCHAREST
20:20	WAW 8369	WARSAW
18:10	NW 8369	BUCHAREST
18:20	NW 8369	WARSAW
18:30	SVO 0418	MOSCOW
18:35	BUD 5372	BUDAPEST
18:40	PRG 0623	PRAGUE
18:50	KBP 102	KIEV



## Bottom line:

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[www.ingcommercialbanking.com](http://www.ingcommercialbanking.com)



Suncorp Life is an original member of the AUG, the Group charged with enabling Australia's leading investment administration platform to administer TOFA-eligible entities.

Suncorp Life's TOFA-readiness is a great example of the commitment of Australian financial services organisations to remain competitive, whilst still focusing on compliance for significant taxation legislation changes, according to Tom Abraham, DST Global Solutions' CEO.

"We are pleased to outline such a smooth implementation for Suncorp Life to its TOFA-ready status. As an active member of our AUG for a range of development projects over the years, Suncorp Life has remained committed to this complex TOFA undertaking and joined our recently announced third party administrators in meeting industry and legislative requirements," he said.

The TOFA legislation became mandatory effective 1 July 2010 and is a comprehensive approach to the taxation of all financial arrangements. Rules now exist to cover tax timing treatments, especially in the area of hedging. Via a mix of elected and default methods of taxation treatment, the legislation is designed to reduce tax distortions and enhance financial risk management.

"Suncorp Life has used the tried and tested HiPortfolio software for its back office operations for a number of years, so it was a natural fit to use its TOFA module to handle the

compliance obligations that we had as a result of TOFA," said John O'Farrell, Suncorp Life's CFO.

## SEB supports new UCITS fund from SAM

European equities specialist SAM Capital is to launch a new UCITS fund via SEB Prime Solutions.

The new fund will be a UCITS version of its existing Equity Opportunity Fund.

SEB Prime Solutions started in September as an umbrella SICAV platform for UCITS funds. The firm says it offers full services for risk management, administration and legal structure for such funds.

Dietmar Schmitt, SAM Capital founder and CIO said: "We have thought about launching a UCITS fund for some time now since our trading strategy sits very comfortably within the UCITS rules. We selected SEB's platform on the basis of our strong, established relationship with them, their strength of reputation with European investors and their ability to enable us to reduce operational costs when replicating our SAM Capital Equity Opportunities Fund within UCITS."

## StatPro extends global contracts

StatPro Group, has signed new multi-year contracts with several customers in North America, Europe and Asia. The new customer contracts include a variety of StatPro products, including the StatPro Seven portfolio analytics platform and the company's evaluated pricing services.

The contracts were signed with TCW, State Street Global Advisors, Indus Capital Management, PIMCO, Horizon Asset Management and BofA Merrill Lynch in North America; Adepta, Banco Finat, Bank of Ireland, Barclays Capital, CACEIS, NGAI, Polar Capital, SIA SSB, Royal Mail, River and Mercantile Asset Management and Liverpool Victoria Asset Management in Europe; Nedbank in Africa and a major asset manager in Singapore. These contracts support StatPro's business objectives for the year and add to the Group's high levels of recurring revenue under contract.

"StatPro's integrated product strategy and SaaS delivery model offers a wide range of functionality to help customers meet the ongoing challenges of portfolio analysis," said Mark Bramley, CEO of StatPro North America. "Our SaaS model allows customers to benefit from faster, easier system updates, improved service and reduced costs."



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## Haidar Capital Management selects Fund-Studio

Objecutive, a provider of software and services for financial services firms, has announced that its Fund-Studio portfolio management system has been selected by Haidar Capital Management, LLC. Haidar is a New York-based investment firm specialising in quantitative strategies for high net worth individuals, family offices, professional asset allocators and institutional investors.

Haidar is leveraging Fund-Studio to automate middle office management functions – specifically to reduce operational risk through process automation and real-time reporting.

As Haidar's database system became too rigid for its new software, the company recognised the need for an efficient system that could automate resource-intensive manual processes, handle its growth and fund operations, and establish connectivity with the prime broker and fund administrator.

"We evaluated several options for portfolio management, but the majority of solutions were either equity-oriented or order management systems – neither of which we needed," stated Said Haidar, president and chief investment officer of Haidar Capital. "Fund-Studio is ideal. It gives us the ability to run recognition services, shadow our administration and calculate our profit and loss by trade, strategy and fund."

Costas Kellas, CEO of Objecutive, added, "Established investment firms such as Haidar Capital are under increasing pressure to provide responsive, detailed reporting both for existing investors and prospects conducting due diligence. Meanwhile, there's an ongoing need for high-quality management and control capabilities – all while controlling operational costs. Fund-Studio will enable the cost-effective automation of a wide range of portfolio management functions – providing transparency, reducing risk and bolstering investor confidence."

## Societe Generale launches Alpha x in Hong Kong

After its release in Europe, Alpha x has now been made available in Asia. Alpha x is Societe Generale's crossing network which matches its clients' buy and sell orders on a particular stock through an integrated electronic execution platform. Depending on available liquidity, orders are either fully or partially executed in Alpha x. Any remaining orders will be routed to the regulated exchange. As such, Alpha x is a natural source of liquidity fed by the institutional client order flow where Societe Generale acts as a broker.

Alpha x is available to all Institutional investors using Societe Generale's electronic trading

strategies, regardless of the execution channel (sales trading, programme trading, and through the Direct Strategy Access (DSA) service).

Alpha x Asia offers the following client advantages:

- Protecting investors' interests:
- Alpha x preserves institutional clients' interests thanks to a completely anonymous system, guaranteeing confidentiality of orders. Access to a major source of liquidity:
- Alpha x offers institutional investors the opportunity to access a major source of alternative liquidity through SG Securities (HK) Ltd, which is one of the top tier participants on the Hong Kong exchange.
- Reduce transaction costs.

For institutions that choose to benefit from this natural source of liquidity, Alpha x executes orders by crossing at mid-spread of the market's best bid and offer, reducing implicit transaction costs by half. Societe Generale estimates this benefit amounts to a gain of 0.05 per cent to 0.20 per cent depending on the stock.

Alpha x has been available on all major European markets (excl Spain) for more than a year. Its launch in Hong Kong is a first step in bringing the same alternative form of liquidity to Asia. Alpha x on Australia and Japan are soon to follow.

## Eurex Clearing introduces new Pre-Trade Risk Limit functionality

Eurex Clearing has launched its "Advanced Risk Protection" solution. The new service enables clearing members and non-clearing members to control their trading and operational risks by setting pre-trade limits on aggregate risk metrics such as the total margin requirement.

All members can define the level of protection for themselves, and clearing members are able to set limits for their non-clearing members. Up to three staggered limits are activated when the pre-defined risk metrics are breached.

The risk checks are performed in real-time based on actual positions using real-time market prices. "A reactive risk management approach is not sufficient to cope with the increasing speed in the trading environment. That's why we give our customers the tools they need to proactively set risk limits in advance", explained Thomas Book, member of the Eurex Executive Board responsible for clearing.

"Our Advanced Risk Protection solution contributes to market safety and is our response to the market's desire for powerful risk controls that are both latency-neutral and can easily be expressed in terms of real risk figures," said Book.

The Advanced Risk Protection solution has been developed in close cooperation with market participants to ensure that the new limits are simple and effective to use. Members can configure different risk metrics such as total exposure, profit and loss, cash flow or market risk. These metrics are actual aggregated risk measures covering both futures and options positions and provide great flexibility to adequately reflect individual risk management practices and trading patterns.

In addition, a member can specify which of three actions will be activated when a breach of each level or risk limits occurs. At the first level, an alert message is sent to the respective clearing member. In the second stage, the system automatically throttles orders and quotes. In the third level, the stop button functionality is automatically triggered, thus halting all trading activities.

With the Advanced Risk Protection, Eurex Clearing highlights its commitment to market safety and integrity. Today's launch is another milestone on the road towards safeguarding financial markets. On March 15, 2010, Eurex Clearing launched the Enhanced Risk Solution, the first real-time risk data distribution service for derivatives to be offered by a central clearing house.

With its suite of risk services, Eurex Clearing responds to industry trends like high frequency trading and direct market access, which dramatically increase the number of transactions and speed of trading. Eurex Clearing is the first central counterparty worldwide to offer risk management and margining data in real-time to its trading and clearing members.

## Raiffeison implements Front Arena

Raiffeisen-Landesbank Steiermark AG, part of the Raiffeisen Sector, the largest banking group in the Styria province of Austria, has gone live on SunGard's Front Arena operations, Front Arena sub-ledger and Adaptiv Risk Cube solutions, all of which integrate with RLB's existing Front Arena installation to provide front- to back-office processing of treasury trading and settlement.

Raiffeisen-Landesbank Steiermark uses SunGard's Front Arena for treasury trading and position control across multiple asset classes and business lines, providing the bank with Value at Risk (VaR) for enterprise trading control.

Dr. Stefan Dahm, head of treasury at Raiffeisen-Landesbank Steiermark, said: "We needed front-to-back treasury solution that would provide more flexibility, automation in operations, as well as improve processing across asset classes from trading to settlement and provide us with cutting-edge risk management. SunGard's Front Arena and Adaptiv solutions give us the confidence to trade effectively while

helping to increase operational efficiency and reduce our total cost of ownership. SunGard provided a rapid and successful prototype phase and after only ten months and ahead of our project deadline we were live on the system – a testament to the solution and the teams that worked on the project”.

Juerg Hunziker, president of SunGard’s Front Arena and Adaptiv business units, said, “Banks like Raiffeisen-Landesbank Steiermark need to be able to act quickly on market opportunities. Front Arena and Adaptiv provide a streamlined solution for trading and operations that helps customers achieve rapid time to market, enhance decision making, and gain efficiencies in trading and settlement by meeting real-time and end-of-day processing needs.”

## Northern Trust opens Beijing office

Northern Trust has celebrated the official opening of its first China branch in Beijing with an event at the Great Hall of the People for regulators, clients, and industry peers.

Northern Trust’s Beijing branch officially opened earlier this month, following the approval of the branch license by the China Banking Regula-

tory Commission (CBRC) in August. The authorisation by the CBRC marks a milestone for Northern Trust, which has had a representative office in Beijing since 2005.

“Our branch office in Beijing will allow for more face-to-face meetings and better service for our clients across China, including global custody, performance measurement and compliance monitoring services,” said Northern Trust Chairman and CEO Frederick H. Waddell. “To me, what this branch office really represents is another step along a road of shared growth and prosperity and a commitment from both China and Northern Trust to work together for a brighter future.”

Northern Trust’s presence in China dates to 1999, when it began a cooperative relationship with the Bank of Communications. In 2002, Northern Trust began consultation with China’s National Council for Social Security Fund (NCSSF) in preparation for the NCSSF’s investment in overseas equities markets. After receiving approval to open a Representative Office in 2005, Northern Trust was appointed as global custodian for both the NCSSF and Bank of Communications, and has continued to develop its custody and asset servicing business in China.

Sun Xiaoxi, vice chairman of National Council for Social Security Fund, said, “The establish-

ment of a Northern Trust Beijing branch allows us to carry out full and comprehensive communications, and opens the door for new opportunities for cooperation.”

Wang Bin, vice president of Bank of Communication, said that “Northern Trust brings new customer service concepts to China’s banking sector.”

Shi Guoqing, vice president of China Life Insurance (Group) Company, said, “In more than five years of bilateral cooperation, Northern Trust’s service team has shown us its expertise and service concept as an internationally renowned custodian bank.”

The Beijing branch will play a key role in Northern Trust’s continuing growth in the Asia-Pacific region. In every region, Northern Trust aims to leverage its global strength with local expertise and service. Over the past three years, Northern Trust has grown its staff in the Asia-Pacific region to more than 2,000 employees at its offices in Beijing, Hong Kong, Singapore, Tokyo, Melbourne and Bangalore.

“We are proud, and honored, to serve a variety of significant institutions in China, including the Social Security Fund,” said Michael Wu, branch manager for Northern Trust in Beijing. “With the approval of a banking branch license, we

## Personal Contact



## Efficiency



## Technology



## Innovation & Industry Expertise



**Finsettle Services (Pty) Ltd** has a strong and skilled team in place and has far-reaching growth plans for the future. While remaining highly focused on traditional markets and core offerings of Custody & Settlement and Securities Lending and Borrowing, Finsettle are expanding into being a specialised provider of several outsourced functions.

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can build Northern Trust's local infrastructure, strengthen our service capabilities and enhance opportunities for sales and business development in China."

### Huntington supports Geier's first fund

Huntington Asset Services, a provider of fund administration and accounting, distribution, and transfer agency services, has been selected by Baltimore-based Geier Asset Management, to oversee the advisor's first mutual fund offering.

The fund will be serviced through Huntington Asset Services' Valued Advisers Trust.

"We're pleased to help a respected investment firm like Geier Asset Management, Inc. launch their first mutual fund," said Brian L. Blomquist, president of Huntington Asset Services. "By servicing the fund through the Valued Advisers Trust, Geier's investment advisers can concentrate on offering their customers expert advice without worrying about managing the logistics of the fund."

Thomas Geier, vice president and chief operating officer for Geier Asset Management, Inc. said, "We selected Huntington Asset Services for their experienced team of professionals, extensive history of fund management and turnkey solutions. Their expertise made it much easier for us to launch our first fund."

### Finadium launches new report on hedged mutuals

A new report from Finadium evaluates the investment strategies and business models of the US hedged mutual fund industry, including long/short, absolute return and market neutral '40 Act funds.

This segment is growing rapidly; assets doubled to over US\$50 billion between June 2009 and October 2010. Fund operators include large mutual fund complexes seeing a new opportunity, hedge funds looking to repackage their offerings, and registered investment advisors marketing internal strategies to a broader audience.

Operationally, hedged mutual funds continue to work out the best routes to access cash for margin and securities for short sales. As retail investors already pay higher than average fees to participate in these funds, managers are incentivised to look for prime brokers and custodians who can meet their needs in a cost effective, operationally efficient way. Having learned important lessons from 130/30 funds in 2007 and 2008, prime brokers and custodians have responded with new service models for these leveraged funds, and are finding that the services they can offer to hedged mutual funds are relevant to hedge funds and pension plans as well.

Highlights from the report include:

- Hedged mutual funds offer investors the opportunity for hedge fund returns coupled with the security of the mutual fund structure.
- Prime brokers are seen as ideal financing providers to hedged mutual funds, but custodians have worked through a key provision of the Investment Company Act of 1940 to provide leverage to their custody clients.

Finadium projects that another \$100 billion of assets will migrate to hedged mutual funds over the next two years, tripling the size of the segment.

### Anosike joins Northern Trust

Dennis Anosike has joined Northern Trust's Corporate & Institutional Services business unit as a leader of the group serving US public pensions. Anosike comes to Northern Trust from the US Department of Commerce and is a former chief financial officer and treasurer of the Chicago Transit Authority.

"We are pleased to bring Dennis Anosike's knowledge and experience to our public pension fund clients," said Laurie Neu, group head for public entities and institutions at Northern Trust. "Public funds face many challenges, from low funding ratios to increasing regulation. As a former pension official, Dennis has broad experience in understanding the needs of this segment and knows how to bring the full range of Northern Trust's solutions to these clients."

At the US Department of Commerce, Anosike served as senior director of management and performance and as senior advisor to the department's CFO. Prior to his federal service, Anosike was president of United Investment Managers, Inc., a Chicago-based multi-manager investment firm. At the Chicago Transit Authority, Anosike was CFO and treasurer from 1998 to 2009. With the CTA he served as a trustee and chairman for the Employee Pension Plan and vice chairman of the Healthcare Trust Fund as well as the chair of CTA's 401(k) and 457 Employee Deferred Compensation Plans. He also served as budget director for the CTA, deputy budget director for the City of Chicago, director of finance for the Chicago Police Department and other Chicago budget positions from 1988 to 1998.

"During more than two decades in public funds and asset management, I have admired and respected Northern Trust's dedicated service to institutional clients," said Anosike. "I am delighted to join the Northern Trust team and look forward to working with some great people and a fantastic group of public funds clients."



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# Looking out

## FinSettle's Koos van Niekerk explains the basic landscape of South African custody from an equities trading perspective

### INTERVIEW

The main role players in a South African listed equities trade are the client/investor, the stockbroker, the stockbrokers' custody services provider (outsource agent) and securities lending desk, the JSE, Strate, the CSDPs, the Central Bank and the banks.

Strate is a public company licensed as the only Central Securities Depository (CSD) in South Africa. A Central Securities Depository Participant or CSDP is an entity accepted by Strate (CSD) as a participant. Currently there are six CSDPs in South Africa. Shareholding is recorded electronically by each of the Central Securities Depository Participants, ie, clients open securities accounts with participants who maintain details of the securities deposited. The securities holdings are aggregated and collated and recorded within the central securities accounts opened at Strate by each participant. A participant may open one or more central securities accounts at Strate. The records of the participants, ie, each client securities account, are balanced and reconciled every day with the records or central securities accounts kept at Strate.

### On-market settlement process

The process begins with the investor, who will place an order for trade with a JSE broker. This trade is classified as being an "On-market trade". The JSE broker enters the order into TradElect (previously known as SETS), where it will be matched automatically with an opposite order. The matched trade will then be passed from TradElect, for broker-to-broker trades, or BDA, for broker-to-client trades, to SAFIRES, the processing system of Strate. SAFIRES will send instructions to participants to settle.

### Electronic settlement of transactions

After a transaction at the point of settlement, the electronic records are updated real-time via

book-entry. Settlement via book entry is both secure and efficient.

### Rolling settlement

Rolling settlement of trades of JSE listed instruments refers to a settlement environment in which transactions (securities and funds) become due for settlement a set number of business days after trade. In South Africa, equities are on a T+5 rolling settlement cycle and bonds settle on T+3.

### Contractual settlement

Contractual settlement of trades of JSE listed instruments is a market convention embodied in the Rules of the JSE which states that a client has a contractual obligation to cause a JSE trade to settle on settlement day. The JSE, in its capacity as settlement authority, ensures that all on-market trades entered into by two JSE brokers settle five days after the trades are concluded.

### Simultaneous Final Irrevocable Delivery versus Payment (SFIDvP)

Strate is proud to be amongst the CSDs to have achieved true Simultaneous, Final, Irrevocable Delivery versus Payment (SFIDvP) in Central Bank funds. This has been achieved with the use of the Concurrent Batch Processing Line (CBPL) functionality of the national payment system at the Central Bank. With the CBPL functionality, settlement instructions are settled as a group. This means that all paying custodians must have funded their South African Multiple Options System (SAMOS) accounts before the settlement run can be completed.

Once transfer of ownership within the Strate system has been completed, an instruction is sent to the participants and the applicable exchange on behalf of the brokers so that the entry

is reflected in the custodial systems. In terms of the Strate rules this entry must take place by no later than end of day of settlement of the trade. A reconciliation process of all records within the participant and Strate is performed daily to ensure that the records are in balance.

### Connectivity through SAMOS

The main benefit that SAMOS brings to the South African financial markets is that it provides for final and irrevocable payment. By synchronising securities ownership transfer through Strate with cash payment through SAMOS, the South African market is able to provide local and international investors with SFIDvP, as explained above. SAMOS provides for final and irrevocable payment settlement, while Strate provides the investor with real-time settlement and finality of ownership transfer.

### Accuracy of the Register of Shareholders

The electronic register is updated real-time on T+5 for equities and T+3 for bonds when the simultaneous transfer of securities and cash takes place. This means that all trades are reflected on the register of shareholders for dematerialised securities in the Strate environment as there are no outstanding securities transactions except for trades effected during the last five days.

### Combination of gross and net settlement

Since Strate's equities netting engine was fully implemented on 6 November 2000, Strate has been in a position to offer both gross and net settlement. The ability to offer both methods of settlement is an advantage to all market players, who invariably offer multiple investment products. **AST**

#### 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







# Canada

Having weathered the financial storm better than most, Canada is in prime position to take the lead in North America

**BEN WILKIE**

As the US market's biggest neighbour, and with relatively similar economies and financial markets, Canada was bound to catch a cold when the financial crisis hit Wall Street. And it could not have come at a worse time.

Canadian funds, particularly hedge funds, had been outperforming their counterparts across the line for some time, and investors who were looking for safe steady returns had started to flock to this market. It was never considered particularly exciting or dynamic, but growth was steady and a highly-regarded regulatory structure meant that investors felt safe investing in the market.

But in 2008, it all turned. The S&P composite index lost more than 37 per cent of its value over the course of the year, and other markets also fell. Funds available dried up, as international investors tried to shore up their balance sheets and withdrew - or at least reduced - investment from many markets. 2008 was certainly the

toughest year, but the situation didn't look much better at the start of 2009 either. But then the market did start to rise again.

But while the funds were struggling, Canadian banks were managing the crisis exceptionally well. Canada is one of the very few Western economies that hasn't had to bail out any of its domestic financial institutions, leaving them free to consolidate their positions domestically while - in many cases - expanding internationally. RBC's acquisition of Blue Bay earlier this year is testament to their newfound confidence.

## The economy

The Canadian economy continued to slow through the third quarter of this year with annualised GDP growth dropping to one per cent following a revised gain of 2.3 per cent in Q2 (initially reported as 2.0 per cent) and a revised 5.6 per cent in Q1 (previously 5.8 per cent). Net exports subtracted a sizeable 3.5 percentage

points (pp) following a revised 4.0 pp subtraction in Q2 (originally reported as 3.0 pp). The deterioration in trade resulted from both imports rising 6.4 per cent and exports falling 5.0 per cent.

The September GDP report showed a 0.1 per cent drop following a 0.3 per cent rise in August. Given the underlying strength in consumer spending and investment and with the weakness in Q3 emanating from the volatile trade sector, we continue to assume that GDP growth will rebound in Q4 to around 2 1/2 per cent to 3 per cent. RBC has said it expects the sizeable drag from net exports in the third quarter of 3.5 pp (and 4.0 pp in the second quarter) will not continue. Improvement in external trade will be hampered by imports likely continuing to grow by six per cent in Q4 reflecting the strong Canadian dollar and investment spending in Canada. The improvement in trade is expected to be paired with continued solid gains in final domestic demand in Q4.

## The players

Domestically, the top rated banks in Canada are RBC Dexia and CIBC Mellon, but all the major players have a significant presence. Citigroup, Northern Trust and State Street are all active participants.

"If you're not already in Canada in a big way, then you're going to find it very difficult to gain a foothold," says one fund manager. "Custodians here have a very good reputation, both for the quality of their service and their ability to keep costs down. I don't really think there's anything we could expect from a new entrant that isn't already done well by the big players and because we're now increasingly looking at long-term stability we don't want to work with a firm that doesn't have a large footprint here, even if they are a major custodian elsewhere."

**"Our new corporate governance rules expect us to investigate every time we are looking at awarding a new mandate - its almost just form filling, we only look at the safest banks anyway."**

When it comes to pension assets under custody, State Street is Canada's largest player, with CAD354.6 billion in assets at the end of last year. RBC Dexia is just behind, with CAD349 billion. CIBC Mellon, Desjardins Trust and Northern Trust round out the top five.

## Safety

Transparency and risk management remains key, and has filtered down into the 'non risky' areas of the market, such as custody and other asset servicing products. While Canada's banks remain amongst the safest in the world, institutions are now expected to delve into the financial strength of an outsourcing provider during the RFP process.

"It can feel a little silly," says a spokesperson for one of the country's largest pension funds, "we've been dealing with these guys for years and know they're on the straight and narrow. We can see their credit ratings and we generally know about the values of their assets under

custody and their performance with both us and our counterparts in Canada. So we feel safe with them. But our new corporate governance rules expect us to investigate every time we are looking at awarding a new mandate - it's almost just form filling, we only look at the safest banks anyway. But I suppose that three or four years ago, no-one thought Lehman would go under."

These new rules have benefited the larger players, those with trillions in assets under custody worldwide. They are able to play to their strengths and show that they have the ability to withstand anything that the market can throw at them. But it has hurt some of the more bespoke providers.

"We've been in the market a long time and have always done well for our clients," says a spokesperson for a smaller global custodian. "Because our client profile tends to lean towards the more specialist fund managers who require a bespoke service and tend not to worry so much about the costs, we've always attracted smaller funds. This means that our footprint in the market is not as large in terms of assets under custody as some of our competitors.

Until recently, this has not been a problem for us - we don't offer the one-size-fits all approach that some of the major players do, so we have always won business by tailoring our approach. But as funds now look at the value of assets under custody at the beginning of the process and often have a level they won't go under, we find we are not only losing business, but we are in some cases not encouraged to bid for it at all. To be honest, we find this absolutely ridiculous, we have one of the highest ratings any bank has in the world, we have risk management systems in place that can't be beaten by anyone and we have a team that knows our clients inside out. But because we think of ourselves as one of the last boutique asset servicers, we are being frozen out."

"Clients are broadening their focus on transparency in their portfolio holdings and what they're looking for in the analysis of their exposure," said Northern Trust's John Folk earlier this year. "Asset liquidity, counterparty exposure and interest rate sensitivity are being viewed at an overall portfolio/plan level, and the requirement for flexibility and timely access to data is increasing accordingly. Custodians are responding with more automation to minimise operational risk, while at the same time helping clients to better understand and minimise their counterparty risk. Until recently, a 30-, 60- or 90-day cash forecast was the norm. But in today's markets, and with more alternative investments in their portfolios, clients are looking for a view on liquidity that includes hedge fund investments and potential capital calls on private equity."

## Cost

As with all middle and back office services, cost remains key. Canada is not considered an ex-

pensive jurisdiction in which to do business, and fees for custody tend to reflect that. "We don't just compete on cost, we like to show that the quality of our service is just as important," says a spokesperson for RBC. "But it's certainly true that we put a lot of effort into automating our systems and streamlining our infrastructure as much as possible to keep the prices down for our clients."

Investment managers who believe their core strength is picking assets will discuss everything else for outsourcing. "We don't want to be fund administrators...we knew our custodian had the capability to do it, and do it quickly," says one. "We ask ourselves, 'Is the risk transferable?'"

## Growth

The key growth in assets under management is expected to come from pension funds. The Canadian pension system is not facing the enormous shortfalls seen in other parts of the world, but it is going to have to grow significantly if it is able to keep up with an ageing population, especially as contributions to private plans have dropped during the downturn. With over CAD100 billion in assets, the Canadian Pension Plan (CPP) is a major player in the equity and bond markets, while private pension schemes are also having an impact. **AST**

## Scotiabank acquires NBC

Scotiabank is to acquire Nuevo Banco Comercial (NBC), Uruguay's fourth-largest private bank in terms of loans and deposits, as well as Prontol, the country's third-largest consumer finance company.

"Scotiabank has deep roots and a long history in the Americas and we are proud to again grow our operations in Latin America," said Rick Waugh, president and chief executive officer, Scotiabank. "Scotiabank's contribution of sales and risk management capabilities, plus our broader range of products, strengthens a transaction that aligns with the Bank's strategy of investing in growth markets where we anticipate increased demand for financial services."

With the largest retail banking network in Uruguay and the only private bank with a presence in all 19 provinces, NBC has 49 branches, 710 employees and 85 automated banking machines (ABMs), in addition to a three-branch, full-banking subsidiary in Brazil.

Among private banks, NBC has an 11 per cent share of the nation's loan and deposits market, with a particularly significant portion of the \$1.2 billion in total deposits being stable core funding. The bank is also regarded as a market leader by SME clients

Eesti, Danmark,  
Lietuva, Norge,  
Deutschland,  
Sverige, Россия,  
Україна, Latvija,  
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Ten markets, ten cultures,  
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## International Transfer Agency Summit 2011

Date: 15-18 February 2011  
 Location: Luxembourg  
 Website: <http://www.icbi-events.com/itas>



On the 10th anniversary of the event, the conference will focus on the key challenges in fund distribution, fund operations and transfer agency services.

## Network Management 2011

Date: 15-16 June 2011  
 Location: TBC  
 Website: <http://www.icbi-events.com/nema/>

Network Management 2011



Over 300 delegates will be attending the 11th network management conference at a venue to be announced.

## European Clearing and Settlement

Date: 29-30 June 2011  
 Location: London  
 Website: <http://www.icbi-events.com/ecs/>



An expected wave of European regulation; more competition; pressure on costs and fees; a new focus on risk – all this and more will be covered at ICB's flagship 17th annual clearing and settlement event.

## Sibos 2011

Date: 19-23 September 2011  
 Location: Toronto  
 Website: [http://www.swift.com/sibos2010/sibos\\_2011.page](http://www.swift.com/sibos2010/sibos_2011.page)



The must attend annual event for asset servicing professionals moves to Toronto for 2011.

## Industry Appointments

Fund administrator Apex Fund Services has appointed **Thalius Hecksher** as global head of business development.

With responsibility for developing and managing Apex's global sales and client relationships, Hecksher will report directly to Peter Hughes, managing director of Apex Fund Services.

Based in Apex's Ireland office Hecksher will provide support to all of Apex's 21 international offices and operations. With over \$15 billion of assets under administration, Apex Fund Services plans to break into the world's top 25 of administrators within 12 months. As part of its strategy of locating offices alongside its clients Apex plans to launch into several new territories during 2011.

Hecksher has over 15 years experience of working within the international financial markets and has particular expertise in the fund management and asset management sectors. Prior to joining Apex, he was head of sales for EMEA at Line-data Services where he specialised in financial software and technology for mutual and hedge fund managers through to third party administrators.

Peter Hughes, managing director of Apex, commented: "Apex has a short term target of breaking into the world's top 25 fund administrators. Our total focus on providing the highest levels of client servicing in the industry across our entire global network is attracting unprecedented levels of new clients. The prospects for Apex are extremely positive.

"Thalius has a proven track record of managing fast growing businesses and his appointment is a reflection of the calibre of people Apex is attracting. We welcome him to the team and look forward to benefiting from his industry experience as we expand the company."

Hecksher added: "Apex's growth and international roll out of its innovative services makes this position a unique opportunity. I look forward to being part of such a progressive organisation and contributing as Apex accelerates to the next level."

Deutsche Bank has announced the appointment of **Maarten van Berckel** as chief country officer for the Netherlands, effective from 1st December 2010. Mr. Van Berckel succeeds Leonhard Degle, who will retire in March 2011 after 38 years service with Deutsche Bank, the last 10 of which he was chief country officer in the Netherlands.

In his new role, Van Berckel will have responsibility for Deutsche Bank in the Netherlands across all businesses, including the management of client relationships and the further implementation of the Bank's growth strategy. He will report to Juergen Fitschen, member of the Management Board of Deutsche Bank.

Van Berckel has 25 years of experience in the financial industry and was previously Deutsche Bank's chairman for corporate finance in the Benelux region. Van Berckel, who will continue to be based in Amsterdam, joined the bank in 2008. Prior to that, he was a managing director of Lehman Brothers International (Europe) and chief executive officer of Lehman Brothers Benelux.

Juergen Fitschen commented: "We would like to thank Leonhard Degle for his service and commitment to Deutsche Bank. Leonhard played an important role in leading the growth of our franchise in the Netherlands, including the recent successful acquisition of parts of ABN AMRO's commercial banking activities."

He added: "Maarten's appointment comes at the start of a new era for Deutsche Bank in the Netherlands. His experience and record of achievement in the Benelux region gives us confidence that he will successfully manage and continue to grow our operations in the country."

Deutsche Bank employs close to 1,500 people in the Netherlands, where it is the fourth-largest commercial bank. It has been active in the Netherlands for almost a century and offers the full range of investment banking services, asset and wealth management and global transaction banking services.

Offshore legal, fiduciary and administration services provider Appleby has announced two appointments within Appleby Trust (Jersey) Limited.

**Nadia Trehiou** has been promoted to group manager within the funds team, and **Melanie McEnergy** has been appointed as client director – private client.

Trehiou focuses on the administration, accounting and company secretarial aspects of Jersey funds including JPUTs, private equity structures and equity funds. She has worked within the fund administration and accounting sector in Jersey for the past 15 years. Prior to joining Appleby in January 2009, Trehiou worked at BNP Paribas Securities Services, and previously for Abbey International (formerly Cater Allen Bank) in funds, investment and client relationship management for nearly 10 years. She is a qualified Chartered Secretary (ACIS) and also a member of the Chartered Institute for Securities and Investment.

McEnergy works with the private client group on client matters including overseeing the day-to-day running of the group. McEnergy joined Appleby in July 2006 as operations manager, a role which she continues to perform and where she has been instrumental in managing the operational aspects of the business. She has over 20 years relevant industry experience in Jersey and before joining Appleby, worked for 10 years at Maurant as a senior manager in its Employee Benefit Trusts department. Prior to that, McEnergy worked at a number of local trust companies on private client matters. She qualified as an Associate of the Institute of Chartered Secretaries and Administrators in 1999, and holds the ICSA Certificate in Employee Share Plans.

Farah Ballands, Appleby partner and group head of fiduciary and administration services commented: "On behalf of the firm, I am delighted to congratulate Nadia and Mel on their appointments. They are both very experienced and are highly regarded by their colleagues and clients alike."



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