ASSETSERVICINGTIMES

ISSUE033
22.02.2012
WEDNESDAY
assetservicingtimes.com

UK reignites ECB clearing tensions

LONDON 20.02.2012

HM Treasury has confirmed that the UK has taken further action against the ECB in challenging its clearing house location policy. The policy would require CCPs that clear over a €5 billion threshold of euro-denominated OTC credit derivatives do so only in a eurozone country. Among the concerns is that the ECB will "sneak in the back door" to implement the policy by using its proposed standards published in November, an HM Treasury spokesperson said.

In the first such legal challenge of its kind, the UK originally announced its intentions to sue the ECB in September in response to the location policy in the Eurosystem Policy Framework. The document sets out that the size of an offshore CCP's euro-denominated business provides a useful proxy for the potential implications of the CCP for the eurozone.

But the UK's finance ministry points to a clause in the European Market Infrastructure Regulation (EMIR) which states that no member state or group of members states should be discriminated against as a venue for clearing services.

The simmering tensions are set against a backdrop of fierce competition among post trade services providers in an environment of regulatory change and dwindling revenues. According to the London Stock Exchange's (LSE) fourth quarter financial results ending 31 December, post trade services' total income was up 50 per cent at £58 million driven by treasury management income from clearing operations. The LSE also announced the completion of its purchase of index firm FTSE and is continuing talks to buy UK-based clearing house LCH.Clearnet.

LCH.Clearnet is in the top three global clearing houses in interest rate swaps, fixed income and repo and futures and options. In addition, London is home to 40 per cent of global OTC derivatives trading.

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BNY Mellon launches OmniAccess

BNY Mellon Asset Servicing has launched a service for fund asset managers and broker dealers that improves data transparency and efficiency on distributed funds through a centralised platform.

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"The [UK] Government continues to believe [the ECB's location policy] contravenes the fundamental principles of the single market and European law, including the freedom of establishment and the free movement of services and capital. We also believe that restricting the clearing of euro-denominated products to only firms based in eurozone countries would also undermine the euro's standing as a truly global currency," the finance ministry said.

Citi to provide hedge fund admin for Credit Suisse
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As part of the mandate, a portion of the middle office operations within Credit Suisse's asset management division will be fully transitioned onto Citi's service platform, which includes operations, technology and data management capabilities.

In addition to middle office solutions, Citi will provide custody and back office support for the division's proprietary hedge funds.

BNY Mellon launches OmniAccess
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The platform, OmniAccess, provides fund managers with direct access to the same information used by broker dealers in the omnibus environment. In other words, trades from multiple shareholders are combined into a single account for more efficient trade processing.

"OmniAccess provides clients with the resources they need to optimally manage their shareholder serving obligations," said Michael DeNofrio, head of US investor services within BNY Mellon Asset Servicing's Global Financial Institutions business. "It marks an advance in providing transparency and improves coordination between the funds and distributors."

Norway's CSD looks at joining T2S in 2018

VPS will work towards joining Target2-Securities (T2S) in the second phase of the project. That will put Norway's adoption of the centralised settlement platform in 2018-19. T2S is due to be launched in 2015 and the CSDs that accept the offer from ECB within June 2012 will migrate in 2015-2016.

"In collaboration with Norwegian market participants, other European central securities depositories and the ECB, VPS has participated in the program of work for T2S for more than two years. It has also carried out a hearing in the Norwegian market on the question of whether the CSD should enter into an agreement with the ECB to participate in T2S in the first phase, "Based on an overall evaluation, and in agreement with the views of the parties that participate in securities settlement, VPS has decided to work towards becoming a participant in T2S in the second phase of the project," the CSD said in a statement.

Although being generally positive to standardisation efforts in Europe's post trade landscape, some of Norway's market participants, such as SEB Bank and the Norwegian Securities Dealers Association, expressed concerns about technical as well as commercial barriers in connecting to T2S and had urged VPS to wait on the project.

"VPS will now work to identify the best future solutions for the Norwegian market. This will include deciding how the T2S platform will be used and when to start using it," said VPS.

Vistra Fund Services launches in Asia

Vistra Fund Services has launched Vistra Fund Services Asia Limited, to complement the group's fund administration operations in Jersey and Luxembourg. The new operation, which is based in Hong Kong, will provide fund administration and associated services to fund managers throughout Asia.

Rapid growth and acquisitions in this region by fund management clients of Vistra's Jersey and Luxembourg offices have been behind the strategic decision to broaden operations into Asia with a specific fund services offering designed to meet the individual requirements of the Hong Kong and Asian markets.

Vistra has assembled a highly experienced team to spearhead growth into the market. The new Hong Kong-based fund services team is led by Charles Kwun. Kwun has more than 20 years' experience in financial services, covering banking, insurance, pension and fund administration, asset management, trust and custody services. Prior to joining Vistra, Kwun was the Regional Managing Director of Orangefield Trust at which he was instrumental in launching the fund administration services of the company in Asia. Before this role, he was director & chief executive of Bank of East Asia (Trustees) Ltd heading up the MPF business and mutual fund administration services of The Bank of East Asia.

SocGen gets Italian pension mandate

Societe General Securities Services (SGSS) has been selected by Fontemp to provide depositary bank services.

Fontemp is the contractual pension fund for Italian temporary workers employed by temporary work agencies with fixed and unlimited contracts, whose function is to deliver complementary pension payments in addition to the compulsory welfare system.

SGSS was retained by Fontemp for its recognised expertise in this activity, in particular its rapid and efficient level of operational execution and its capacity to provide clients with solutions which will evolve to meet their developing needs.

Citi to provide FA services for MENA fund

Citi has been appointed by Abraaj Capital group to provide fund administration services for its SME private enterprise fund.

Riyada Enterprise Development (RED) was established in 2009 to capitalise on the growing investment opportunities in the small and medium sized enterprise (SME) segment across a wide range of sectors in the Middle East and North Africa.

Tom Speechley, CEO, Riyada Enterprise Development and senior partner, Abraaj Capital said, "It is well recognised that SMEs are key contributors to job creation and economic growth. By facilitating access to long-term capital, Riyada Enterprise Development plays a crucial role in supporting the growth of high impact businesses and high potential entrepreneurs. We are confident that Citi's regional expertise, coupled with its scalable fund services platform, will enable us to provide our investors with the independent administrative systems and best in class infrastructure that they require."

RED is sector agnostic and invests in entrepreneurially run and innovative businesses that are scalable into new regional markets. Since the establishment of the RED platform in 2009, the fund has invested in 13 SMEs across the MENA region in diverse sectors including agro-processing, media, pharmaceuticals and technology.

Sanjiv Sawhney, global head of Fund Services at Citi said, "Citi is committed to provide premier administrative services and market-leading technology to our private equity clients. We look forward to leveraging these resources to help the RED team achieve their growth objectives."

The team includes Andrew Mascall-Robson, executive director. Mascall-Robson brings a wealth of experience having worked in Asia for 20 years within Fund Services and investment banking. He has held senior roles with JP Morgan as executive director Hedge Fund Services Asia, managing director Fortis Prime Fund Solutions Japan and commercial director Fortis Prime Fund Solutions, Asia. Prior to this, he was general manager, head of Equity Derivatives of HSBC James Capel Japan.

Shirley Yuen, who takes up the position of executive director, relationship management, has over 20 years' of experience working in CPA firms and financial institutions in Hong Kong. She previously headed up relationship management in the alternative fund services units at Fortis Prime Fund Solutions, JP Morgan and most recently BNY Mellon. Shirley is a Chartered Accountant and a Chartered Secretary.

Fang Ling Khor, director, has more than 15 years' experience in audit, accounting and fund administration services working with Fortis Prime Fund Solutions, HSBC and JP Morgan. Her last role was as director, Standard Chartered Bank. She is a Chartered Accountant and CPA Australia.

Commenting on the new launch, managing director Charles Kwun said, "Vistra has a strong track record designing and implementing bespoke fund solutions for clients in Europe and now we are exporting that knowledge and experience and making it available to Asian fund clients. We believe the combination of our highly experienced management team, backed by the resources available in the Group including the tried and tested Advent Geneva system, will appeal to Asian investors with the most demanding of fund design requirements."

Standard Chartered picked by Euroclear for AED clearing

Euroclear Bank has selected Standard Chartered to provide cash clearing services in the UAE. Following the appointment, Standard

Chartered will be the Arab Emirates Dirham (AED) cash clearing bank for the ICSD.

The service will provide highly competitive clearing deadlines for Euroclear Bank's clients from more than 90 countries when settling transactions in AED.

Bernard Ferran, head of the Euroclear Bank Representative Office in Dubai, said, "The UAE is a very important GCC market for Euroclear Bank. Our growing presence in the region, as well as the increasing volumes of cross-border fixed-income transactions settling at Euroclear Bank by clients in the GCC, requires efficient Arab Emirates Dirham currency clearing. The appointment of Standard Chartered Bank as our new clearing bank for AED transactions will strengthen our abilities to provide straight-through processing for our clients."

NASDAQ OMX selected by Poland clearing house

NASDAQ OMX has announced it is selected to deliver its OTC clearing and risk-management system to Polish clearing house KDPW CCP. The product supports trade lifecycle and real-time risk management requirements for clearing of OTC traded instruments.

Iwona Sroka, president and CEO of KDPW said, "It was important to select a solution that easily integrates with KDPW's legacy CCP infrastructure and provides the connectivity and information required by our clearing members. NASDAQ OMX's Sentinel solution meets those requirements by providing the trade lifecycle and risk information required by KDPW and its members to clear OTC trades. This in combination with compliance with international regulation standards makes it a perfect match for the Polish market."

Sentinel Risk Manager is compliant with pending legislation for OTC clearing such as EMIR in Europe and Dodd-Frank in the US. NASDAQ OMX's Nordic clearing house and IDCG in the US have integrated the Sentinel technology within their CCP infrastructure.

HazelTree and Treasury Curve to partner

HazelTree and Treasury Curve have announced a new partnership designed to provide hedge fund and asset management executives with an end-to-end service in cash management.

"This is all about empowering our clients and giving them the tools they need to maximise growth," stated Stephen Casner, CEO of HazelTree, adding, "Our partnership with Treasury Curve is a natural extension of HazelTree's efforts to provide our clients with a fully encompassing Treasury solution that not only aggregates long/short positions, cash and rates across all custodians, but now enables them to seek out the best rates from more than 100 institutional funds representing multiple counterparties and seamlessly move cash to any of those – all under a single custodial relationship."

The HazelTree-Treasury Curve solution provides clients with a critical advantage in three key areas:

- mitigates Counterparty Risk with no minimums and no lockups
- solves Investor transparency concerns via reporting that clearly reveals the underlying invested assets
- addresses liquidity concerns by providing immediate access to funds supported by real-time, straight-through processing

"This solution really does enable our clients to make every basis point count," added Casner.

Treasury Curve managing director Aron Chazen concurred, stating, "We listened carefully to our clients' treasury needs and it was clear that researching, trading, reporting and analysing are the four primary areas they view as critical to managing their cash safely and effectively within the confines of current regulatory parameters. Clients today want a single platform to successfully accomplish these tasks and help them manage their cash quickly and independently, in an environment with fewer resources and greater complexity than ever before. Bringing our two firms together directly fulfills this need and enables both HazelTree and Treasury Curve to continue elevating the bar, setting new standards within our industry as thought leaders and innovators in treasury management."

J.P. Morgan launches FRaMES for fund administration

J.P. Morgan Worldwide Securities Services (WSS) has launched its Fund Reporting and Media Exchange Site (FRaMES) for mutual fund administration regulatory services clients.

FRaMES will provide real-time access to a secure, collaborative work environment for fund administration activities and is the newest component of the firm's web-based platform for multiple information, compliance and portfolio management applications - ACCESS.

Peter Donatio, WSS' product executive for the Americas said, "As our fund administration professionals work with clients to prepare for a board of directors' meeting, the work is often completed in conjunction with the service provider, the clients, the asset manager and even the subadvisor. FRaMES allows them to work collaboratively in one document and the final materials can even be accessed by board members remotely through their J.P. Morgan ACCESS account, from the office or on the road on their iPad."

The portal provides real-time document sharing, including uploading and download functions, as


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well as online delivery capabilities and data archives for board books and records. For example, it provides support for chief compliance officers (CCOs) with real-time access to latest policies and procedures and quarterly representation letters.

In addition to document management, it houses proprietary research, online tools and client-specific links to industry groups, regulators and vendors. The portal will initially be available in the Americas.

ProShares adds ETFs to Citi mandate

Citi has announced it has been appointed by ProShares Trust to provide regulatory administration services for its ETFs.

Citi's regulatory administration services help clients streamline their internal legal operations to maximise efficiencies and leverage Citi's expertise related to regulatory matters impacting the operations of registered investment companies. Through Citi's Fund Governance Portal, clients have easy access to core legal documents and can efficiently manage workflow related to regulatory filings, compliance policies and procedures and corporate governance matters.

"Citi has been providing fund accounting, fund administration, transfer agency and regulatory administration services for our mutual funds, and we've been pleased by the quality of their services and expertise," said Michael Sapir, chairman of ProShares Trust and ProFunds. "This new agreement consolidates all of our mutual fund and ETF regulatory administration support services with a single provider, and brings Citi's industry-leading regulatory and compliance expertise to our growing ETF business."

Broadridge's BPO selected by Bloomberg Tradebook

Broadridge's consolidated business process outsourcing (BPO) solution has been selected by Bloomberg Tradebook to support the agency broker's equity and option clearance and settlement business. This is the first agreement between the companies.

The agreement is designed to help Bloomberg Tradebook minimise its fixed-cost investment in technology and operational infrastructure while also creating new revenue-generating opportunities as it transitions from its current fully-disclosed clearing model to self-clearing.

Joseph Barra, president, International Securities Processing and Global Outsourcing Solutions at Broadridge, said, "We've worked closely with Bloomberg Tradebook during the past several months to ensure our unique BPO capabilities will allow for a seamless transition to self-clearing. Our solution can enable Bloomberg to benefit from a highly scalable and customisable offering to support all aspects of its back office operation."

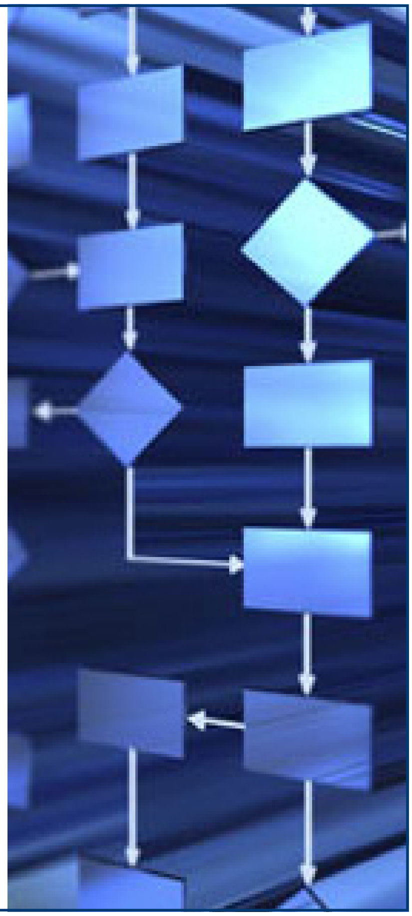
Misys and Temenos talk merger

Temenos has announced discussions regarding a possible all share merger with Misys to create a new company in the financial services software industry.

"The combined business is expected to benefit from enhanced scale and growth prospects, supported by a global, blue-chip customer base. Temenos and Misys believe that Temenos' presence in banking, wealth management and business intelligence complements Misys' presence in core and transaction banking, treasury capital markets and lending," Temenos said in a statement.

Misys and Temenos currently intend to merge under a new holding company that will seek a premium listing on the London Stock Exchange with a potential secondary listing on SIX Swiss Exchange. The combined group is expected to be headquartered in Switzerland.

If the merger is completed, it is intended that Misys shareholders will own the majority of the issued share capital of the combined group.



Guy Dubois, currently CEO of Temenos, will act as CEO of the combined group and Stephen Wilson, currently CFO of Misys, will act as CFO of the combined group. Both Dubois and Wilson will become members of the board of directors which will be chaired by Andreas Andreades, currently chairman of Temenos.

Mike Lawrie, CEO of Misys, has informed the board of Misys that he will be pursuing a new opportunity.

Clearstream AUC drops four per cent in January

The value of assets under custody (AUC) held on behalf of customers decreased four per cent year-on-year to €11 trillion in the first month this year, reports Clearstream. Securities held under custody in the international business decreased one per cent to €5.9 trillion while domestic German securities dropped six per cent to €5.1 trillion in January 2012 compared to the same month last year.

In January 2012, three million international settlement transactions were processed, an 11 percent decrease over January 2011. Of all international transactions, 80 percent were OTC transactions and 20 percent were registered as stock exchange transactions. On the German domestic market, settlement transactions reached 6.6 million, nine percent less than the same month last year. Of these transactions, 67 percent were stock exchange transactions and 33 percent OTC transactions.

In Investment Funds services, 480,000 transactions were processed, a five percent decrease over January 2011.

Global Securities Financing Services at Clearstream lifted 21 per cent year-on-year, reaching €594 billion monthly average outstanding in the first month this year. The combined services include triparty repo, securities lending and collateral management.

Citi gets Irish biotech ADR mandate

Citi Global Transaction Services (GTS) has announced its appointment by Elan Corporation as successor depositary bank for its American Depositary Receipt (ADR) programme.

Elan's shares trade on the Irish Stock Exchange and the biotechnology company's ADRs trade on the New York Stock Exchange, one ADR represents one ordinary share.

Dirk Jones, global head of Securities and Fund Services Client Sales Management at Citi, said, "We are pleased that Elan has chosen Citi as successor depositary bank for their ADR programme. By leveraging our global distribution network and liquidity management services, we're confident we can deliver the resources required to ensure the success of Elan's programme."

SEI selected for AVI's Irish QIFs

SEI has been selected by Asset Value Investors (AVI) to provide full fund administration and trustee and custodial services for the investment manager's new Irish Qualified Investment Funds (QIFs).

AVI, a London-based global manager, launched the QIFs to offer its investors a regulated product while still being able to maintain the flexibility of its investment strategies. SEI's comprehensive outsourcing solution encompasses fund administration, accounting, investor servicing, and Irish trustee and custody services.

Kimmberly Lau, business development director of Asset Value Investors, said, "SEI's global presence, technology, and scalability were critical for us as we sought an independent administrator. We wanted a strategic partner with the expertise, technology, and foresight to help us create a better experience for our investors while also helping us gain efficiencies. We're pleased that SEI will be filling that role."

Among the key reasons AVI selected SEI was the company's Manager Dashboard technology, which provides both aggregated and detailed views of data across multiple product lines via a secure website. The Manager Dashboard also provides AVI with analytical tools to enhance its decision-making process. Additionally, SEI's Investor Dashboard technology makes it easier for AVI to provide flexible, transparent, and institutional-quality investor reporting through a secure website.

Philip Masterson, SVP and head of business development, Europe, within SEI's Investment Manager Services division, said, "In this 'Era of the Investor,' investors are demanding greater transparency and better reporting, and we have designed our solutions to meet those needs. We're pleased to be able to support AVI's future growth and provide a strong foundation on which to diversify the firm's portfolios."

TPG Capital to buy GlobeOp for £508mn

TPG Capital has agreed to buy GlobeOp for £508 million, shortly after the hedge fund administrator announced a review of its strategic options.

TPG is one of the most active private equity investors in financial technology companies and has acquired financial technology firms such as Fidelity National Information Services, Lender Processing Services and Vertafore. The deal is subject to regulatory approvals.

Ed Nicoll, chairman of GlobeOp, said, "We welcome TPG's offer, which is the result of an extensive and competitive process over the last few months. We commenced the strategic review to ascertain whether there was an opportunity to create value for shareholders and we believe that this offer achieves that aim."

Transfer in

Bravura's Group CEO speaks to AST about how the transfer agency industry is developing

BEN WILKIE REPORTS

AST: How would you describe the overall transfer agency market at the moment?

Tony Klim: From our perspective, the focus is on greater efficiency and better services. This is reflected in platform consolidation - many big players have multiple platforms servicing lots of clients and they are trying to reduce the number of platforms while still being able to offer a range of services to multiple clients.

The drive for greater transparency and better customer service hasn't necessarily been driven by the financial crisis we've all been through, but it has certainly brought it out in the open.

Platform consolidation has largely been driven by the move of fund managers towards third party administrators. These administrators have attracted new business, which has often operated on different platforms. Transfer agency is pretty commoditised and it doesn't make sense to run multiple platforms due to the costs involved and the need to improve efficiency. This also extends to the convergence of hedge and long funds, which are very different models, with older platforms unable to cope with the range of different funds on offer.

So while there is the history of different platforms supporting different clients, acquisition has played the major part in platform consolidation.

AST: What is driving the change?

Klim: It's a cost issue, times have been hard. In this sector, you get a blurring of the overall business model between custody, fund administration and transfer agency. But now there's more of a drive to find areas of profitability.

The other driver has been the blurring between transfer agency and distributor services - we've invested a lot of time into a broad platform model that will provide enhanced distributor services.

In the UK, the hot topic has been wrap platforms and fund supermarkets. To date, most players have developed their own platform, but we expect to see a convergence to service providers in a similar manner to that experienced with transfer agency. These providers are offering what they see as a value added service, they're able to support not just the individual fund managers, but also wealth managers, IFAs, bancassurers, networks etc and provide many of the investment administration services they require.

AST: Is transfer agency now seen as a profit centre?

Klim: There is significant variation between the organisations. Some don't think of transfer agency as a profit centre in its own right, but rather as part of a value chain offering that maintains a strategic relationship with a client in the midst of a range of other services, so the transfer agency component forms a cross-subsidisation element across the business.

But wherever there is market pressure, it causes people to break down the value chain and there is scope to become a standalone profit centre.

AST: What are your clients demanding of you?

Klim: It's simple: Quality, efficient technology. Bravura is a proven provider and we know that what we can bring to the table is extensive industry knowledge. We supply a number of different transfer agency providers, from the biggest third party providers to individual fund managers. We have made a name in this sector, partly through acquisition but also through development.

We're also starting to focus on areas like Brazil and Asia, where there are tremendous possibilities for growth, and some way to go in terms of transfer agency and platforms.

AST: Does the market have significant geographical variances?

Klim: The mature markets of the UK, Dublin and Luxembourg, as well as the US are similar. Some markets that are less established have more work to do to catch up, but it does mean that they can move straight to a platform model. The main thing that makes the markets different is the distribution model - whether it's independent, tied, bank owned and so on.

We are seeing a trend towards using common service providers, although some territories are more mature than others in the evolutionary cycle - 25 years ago fund managers were all doing their own thing, but now administration is largely undertaken by a few large players. In emerging market territories, though, it's not like that yet.

Once the consolidation has taken place, it's all about how you differentiate, and the big service providers are moving into broader wealth management provision. In the UK, there are 60-80 wealth managers all replicating similar infrastructure, it's a very fragmented market with plenty of opportunities.

AST: How much is regulation having an impact on the business?

Klim: It can be very expensive to implement, especially if you are a single fund manager. There are economies of scale by using a software provider or a service provider.

As a software provider, we have to adapt. If you take something like FATCA or the RDR in the UK, we have to deal with that. It's not a major part of our business but it does give us the opportunity to help our clients by sharing the costs across our client base.

AST: What makes good technology?

Klim: There are key areas. It must have the ability to support scale; it must be configurable; it must meet the requirements of the individual fund managers; and it must support multiple distribution models. We make a big thing about following the service oriented architecture model to ensure interoperability.

AST: How do you see the future developing?

Klim: The market will become more efficient and more global. There will be more consolidation of platforms as well as convergence of long fund and hedge fund models.

What is important is that there will be a move of transfer agents to support distributed services with a broader wealth management record keeping proposition - it's about moving up the value chain towards distribution. **AST**

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European transfer agency

Our panel of experts examine how the transfer agency market has developed in recent years and look at the challenges facing it in the future.

Ben Wilkie, editor

Jonathan Willis
Head of transfer agency - EMEA & APAC
BNY Mellon Asset Servicing

Aubrey Nestor
Product manager – transfer agency
Bravura

Gail Weiss
Vice president and head of global business development
DTCC

Gina Slotosch
Head of global product management, transfer agency services
HSBC

Keith Hale
Global head of transfer agency
Multifonds

Ghassan Hakim
CEO
Riva Financial Systems

AST: How has the industry changed as a result of the financial crisis?

Keith Hale: The focus of the investment funds industry since the financial crisis as ever remains on objectives such as alpha generation or efficient beta tracking depending on fund type, resulting in new instruments, asset classes, hedging strategies, jurisdictions and fund structures.

What has changed since 2008 is the attention placed on market, counterparty, operational and systemic risk, coupled with increasing regulation (which can be beneficial rather than a necessary evil) as well as the focus on the operational costs of administrating funds. In other words there is still a great deal of interest and effort in new products and markets, such as alternative UCITS products and emerging jurisdictions in Asia, but no longer at any cost. Lower returns result in lower fees and a pressure to reduce administration costs, but for doing more processing.

Aubrey Nestor: The impact of the global financial crisis and economic downturn is reflected in a more challenging regulatory environment, especially for the alternative fund industry. Investors increasingly demand high corporate governance standards and transparency in companies they deal with, and regulators have acted to provide this.

The initial aftermath of the crisis forced belt-tightening across the industry. Budgets are rebounding with investments focused on driving efficiencies and complying with new requirements.

Jonathan Willis: The financial crisis has had a number of effects on the industry, both in a positive and negative way. If we start with the obvious position that asset manager revenues have fallen as the value of assets under management fell, then this has triggered a number of events. The majority of asset managers are undertaking an expense review, looking at internal and external costs. For those who had not yet outsourced, we have seen a renewed interest in model change. For those who are already outsourced this has inevitably led to conversations with their transfer agency provider as to extracting more value from the relationship. This is not always as simple as just asking for a fee reduction, but is often a partnership conversation where current costs can be reduced if additional services are bundled together, for example fund accounting, custody and trustee services. Or there is a discussion around providing a greater range of middle/front office services. This also allows the removal of internal costs at a fund manager where relationship oversight can be reduced with a reduction in suppliers. Additionally, asset managers are increasingly looking to remove internal costs in a number of areas that have traditionally not been within the transfer agency space, like marketing services and the production of KIDS. From our perspective, we have also seen that there have been reviews of transfer agency business lines with some companies exiting business lines or the service entirely.

Slotosch: Asset managers/fund promoters are under pressure to reduce their cost line. The financial crisis has forced asset managers/ fund promoters to reassess their business and in many cases outsource non core activities

Ghassan Hakim: The post-financial crisis landscape looks very similar to that predicted, with many of the expected changes becoming a reality. The depleted value of assets under management and turbulent markets necessitated reduced budgets and increased the appetite for improved operational efficiencies through consolidation, reorganisation, outsourcing and automation, most of which directly impacted (or will impact) transfer agents. Although costs and budgets continue to be a prudent concern, the burden does appear to be easing as we experience significant investment being made in automated global solutions. As a transfer agency software provider, we have seen the requirement for system automation and online reporting rise on the wish list of our prospective customers, as the focus expands to include the raft of new regulations, new products, the need for increased transparency and the desires of an increasingly risk aware end investor.

Gina Slotosch: I see here three key areas:

Market Impact

In the current financial environment the majority of the European fund centres have seen significant outflows in 2011.The UK and the Swiss markets attracted significant new business. Service providers need to be even better prepared to administer and support major market fluctuations that create large volume peaks in both transaction volumes and monetary movements – in an environment that is not fully automated.

Regulatory Impact

An unparalleled level of regulatory change will continue to have a direct and indirect impact on the security services business including transfer agency. UCITS IV, FATCA, AIFMD, RDR to name some of the major pieces of legislation/ directives all have an impact on the transfer agency business and we must work closely with our client base and software vendors to define the optimal solutions.

Cost Reduction

Asset managers/fund promoters are under pressure to reduce their cost line. The financial crisis has forced asset managers/fund promoters to reassess their business and in many cases outsource non core activities. This has led to more opportunities in the securities services world for full service mandates, which naturally include transfer agency and distributor support services.

Gail Weiss: This continues to be a challenging period for our industry. Almost four years after the height of the financial crisis, regulatory bodies throughout the world are still working out new rules aimed at reshaping and harmonising many financial industry practices worldwide. Those of us whose markets were severely impacted by the crisis are focused on helping to shape those rule changes, particularly in pushing for global harmonisation of standards. Hopefully, those of us whose markets were less affected will also benefit from the "lessons learned" from the crisis.

These last four years, however, have certainly not been time lost for our industry sector. Despite the perception in many places that not much in the financial services industry has really changed since 2008, globally our organisations have made huge strides in how we measure and manage risk. In addition, we are getting better at recognising the potential risks inherent in many of the new instruments and technologies our customers continue to introduce.

What's more, the nature of our interactions with our regulators and supervisors is shifting even further towards a practical day-to-day collaboration in achieving higher levels of resilience and risk management effectiveness in the services we provide to our members.

AST: How much more demanding are clients nowadays? Are they requiring more information and data from you?

Nestor: We are seeing demands for increased levels of service in areas such as intra-day cash flow forecasts to portfolio managers, fax and email deal confirmations, and improved MI including near real-time updates to data warehouses.

The emergence of new distribution entities such as fund supermarkets and wrap platforms have led to more sophisticated data requirements including transaction and holding reconciliation feeds and advance notice of distribution payments and Group 1&2 breakdowns.

Willis: In an area where performance is now judged far more on relative than absolute service is once again being seen as paramount. When investment values are increasing materially investors are far more tolerant of administration but when values are falling and performance is relative service can be a differentiator. Investment in new products or services is also far harder now with any material investment requiring far shorter pay back periods so gathering and feeding back MI to provide evaluation data is now even more crucial. We are also seeing far more demand from clients to help them raise and retain assets either in terms of fund registration services or client retention / cross sell programmes. With regard to MI and data overall, I believe that we will see increasing demand particularly as the FSA and other regulators have a renewed focus on how asset managers oversee outsourced functions, and the level of question and review that they expect to see.

Hakim: The truth of the matter is that transfer agencies, whether internal or outsourced, are in the process of transitioning from a traditional cost centre to a more value-add solution. There are increasing demands on transfer agencies to provide timely reporting, implement mandatory regulatory requirements and stay ahead of the curve for all pending changes in our industry. Our role, as the solution provider, is to keep designing and implementing solutions that allow our clients to meet those increased demands cost efficiently; today, this is achieved with an open architecture database, online reporting tools and a great deal of flexibility. In addition, clients are expecting us to anticipate and interpret regulatory requirements much earlier in the process as well as continuously developing effective operational solutions. Based on what we see today, we can only expect much more demands in the future.

Slotosch: The transfer agent has significant key industry data, especially with regard to investor demographics and distribution channels. Clients request more information linked to this data and especially as to how they can access this information. In addition it is extremely important for clients to have an easy and close to real time access to information.

Weiss: I wouldn't say that clients are more demanding nowadays; rather, we are all working in a different environment with new regulations, intense profitability pressures and a heightened focus on risk management. The nature of our work is changing as we look for new ways to leverage our existing capabilities and expertise to build more effective ways to manage and oversee the risk in the financial system.

We've seen how our cornerstone mutual fund service Fund/SERV has helped grow the market, taking transaction processing from what were only hundreds of trades a day in the US to an average of one million trades a day globally, without any operational blips.

The attractiveness of Fund/SERV is that it can pretty much handle massive amounts of trading activity, bringing greater economies of scale to the industry while reducing operational risk.

In recent years, our emphasis has been focused on building on the strengths of our infrastructure to address new global market dynamics while bringing greater flexibility to accommodate both a broader range of fund types and capture more data to facilitate compliance requirements.

For instance, the alternative investment space – non-traded REITs, hedge funds, funds of funds – they are still wrestling with operational risk and dealing with similar processing issues and challenges faced by the fund industry 25 years ago. They've come to realise the power of the DTCC infrastructure and they've witnessed how efficiency and scalability have worked to facilitate growth in the funds industry.

Hale: This depends on who you consider to be the client. Investors, particularly institutional, expect a return to good performance but with better risk management, transparency, liquidity as has previously been the case in alternative funds, as well as adherence to all the new regulation in the market. This is forcing alternative funds to become more like traditional funds in their characteristics; in other words, there is a convergence between long only and alternative funds.

Fund managers expect the administrators to deal with all the new regulations, new jurisdictions, asset classes and fund structures, but with a reduced rate card – in other words efficiently. In the case of some hedge fund managers, they may be living off management fees because they have been or are still below the high water mark for performance fees.

So throughout the investment fund value chain, common processes and a more detailed level of data are required. As a software vendor, our job at Multifonds is to cater for increasingly complex asset classes, fund structures and regulation whilst providing transparency to the calculations our system performs.

AST: What challenges do the convergence of traditional and alternative investments pose?

Willis: Is there a real convergence yet or is it more a blurring of the historic distinctions between the two? The traditionally more risky and exotic hedge funds have in recent years had a number of high profile incidents that have led some to want to adopt more UCITS like structures so as to benefit from the trust of the brand. On the other hand the financial crisis has impacted traditional mutual fund returns so that, once categorised as lower risk investors, have increasingly looked towards funds with more sophisticated investments that are more akin to hedge funds. From a transfer agency perspective, in the main a fund is a fund, and so today there is no major issue with the current requirements. Investors tend to be very separate and most providers, whilst supporting both types, do so on separate platforms. However, the challenge will come if the collective funds start to further adopt more hedge like attributes - limited liquidity, performance fees equalised at shareholder level and side pockets spring to mind.

Hakim: For our clients this is less of a challenge as Riva TA can handle a multitude of products including both traditional and alternative investment products, but for transfer agents using legacy systems which do not have the existing architecture to accommodate such product diversity, it is understandable why difficulties would arise. Such a situation could result in potentially costly system modifications, uncommercial 'time to market' timescales, risky manual workaround solutions, or could result in another transfer agency system being required and therefore another business relationship to be maintained, none of which constitute an attractive proposition in the current cost saving, risk management, efficiency streamlining environment.

Slotosch: We see for example more and more traditional funds using equalisation methods and alternative funds using traditional distribution platforms, increasing STP, trailer fee calculation methods and more complex performance fees methods. In addition there is increased demand for consolidated reporting across multiple fund structures within a single asset manager. This can pose challenges to a system environment of a transfer agency provider to support these models. HSS Transfer Agency covers both alternative and traditional funds and we have the ability to support a 'hybrid model.

Weiss: From our perspective at DTCC, we look to facilitate the trading, clearance and settlement of a broad range of asset classes including traditional funds and alternative investment funds. Through the convergence of traditional and alternative investment funds, we have been able to achieve operational efficiencies due to their numerous similarities. However, the regulatory and compliance differences between traditional and alterative investment funds still pose challenges especially when creating new, innovative solutions to address our client needs. Careful review is given to these regulatory and compliance considerations in order to validate that our product vision will be acceptable to the global market.

Willis: The traditionally more risky and exotic hedge funds have in recent years had a number of high profile incidents

Hale: Challenges of traditional fund processing are typically to do with distribution and commission structures, high volumes of investors, STP, controls on order processing, timeliness of daily processing such as NAV calculation, jurisdiction regulation, taxation rules and specific pricing models.

Alternative fund processing challenges are more about variety of instruments types within the portfolio, valuation of derivatives, particularly OTCs and automated side pockets processing. This is in addition to performance and management fee calculations with fund structures to deal with the fees such as equalisation, series and limited partnerships and the ability to override or restate calculations such as fees, monthly NAV and crystallisation periods.

On the traditional side, the focus is on scalability, standardisation and control, whereas on the alternative side, the focus is on complexity and flexibility. Convergence of traditional and alternative means that both sets of requirements must be dealt with together, within a consistent operating model and ideally a common platform.

Nestor: The key challenge has been the combination of low volume complex products and simpler high volume products on one technology platform. Most platforms are designed to perform one of these very well, but not both. Integrating excellent solutions for both product types on a single platform is the difficult part.

Finding, or creating, business and systems experts who understand the requirements of both traditional and alternative product administration is also a challenge.

AST: How much of an impact is regulation having on your business? In particular, are you concerned about the implications of FATCA?

Hakim: The evolving regulatory landscape is having a significant impact on our product, Riva TA, because of its multi jurisdictional prowess and because it can handle an exceptional variety of products. Fortunately the architecture is such that the changes have been easy to implement but a significant amount of analysis time is dedicated to this topic, and with the 2012/2013 new regulations we continue to dedicate resources to it. We are also pushing for closer cooperation with our clients during the analysis phase and also fairly early on in the process.

Slotosch: FATCA is definitely a concern for any transfer agent. Transfer agents provide services to funds that will be deemed to be Foreign Financial Institutions (FFIs) under FATCA. Compliant FFIs will need to understand and categorise the investors in a fund and transfer agents will need to be ready to assist their clients in doing so. The investor classification process will start in July 2013 with new investors and there is an 18 month remediation stage for existing investors to be identified within the scope of the definition provided in the regulations. Many consider that the regulations recently issued by the US Treasury and the proposed agreement between the US and some of the European countries (UK, Spain, Germany, Italy, France) have watered down the impact of FATCA. We feel that actually these developments don't significantly change the need to categorise investors and now with other countries adopting similar regimes this will certainly present additional challenges

> Nestor: Our clients have faced a tsunami of regulation from the UK, Europe and the US, and we are changing and developing our systems to deal with these

Weiss: As lawmakers in the US and Europe continue working on financial re-regulation legislation, DTCC has expanded its external outreach efforts in Washington, D.C., Brussels and Hong Kong to help shape the policy debate and educate stakeholders on the company's role in protecting the stability of the global capital markets. Leveraging our DTCC staff in London, Shanghai, Brussels and Washington, D.C., we've been able to solidify our commitment in this arena, meeting regularly with European and Asian policymakers to educate them on who we are and what we do.

With regard to FATCA, we are definitely concerned about FATCA from the perspective of our clients' potential compliance requirement. DTCC is committed to working with the industry to enhance our solutions to address industry-wide needs such as FACTA compliance. We are currently in discussions with numerous clients to ascertain the appropriateness of enhancing our system to support new data fields that will remit useful information specifically for FACTA compliance.

Hale: Regulation is having a major impact on the industry as a whole, because there is so much to do to keep up with all the changes. Some are designed to be beneficial to the industry, such as UCITS IV. Other regulations could also have some benefit. For example, AIFMD does provide a distribution structure for hedge funds in Europe but it also creates additional constraints on hedge funds 'marketing' to European investors. FATCA is of little benefit to anyone, apart from the IRS in the US where they potentially stand to gain some additional tax revenues. Having said that, at Multifonds, we aren't "concerned" as such about FATCA, because we have been proactive with our user community in identifying the required changes particularly on the investor identification processing, and sharing the cost of analysis and software changes required between our users.

Nestor: Our clients have faced a tsunami of regulation from the UK, Europe and the US, and we are changing and developing our systems to deal with these increased regulatory requirements. FATCA is large but is just one of a number that need to be addressed.

In the last few weeks, the US government has issued updated FATCA regulations which include less onerous requirements for a small group of countries (UK, France, Germany, Italy and Spain), that have entered into a specific multilateral agreement with the US. Unfortunately they have retained a more onerous regime for countries outside this group. For international multi-domicile TAs and systems providers it will be necessary to support both regimes – thus increasing their compliance costs.

Willis: We are currently in an unprecedented period of regulatory change be it either from the sheer volume of major activity like UCITS IV, UCITS V, MIFID Review, RDR and PRIPS, BASEL III and of course FATCA, but we also have the imminent restructure of the FSA to consider. All regulators are seeking to radically reshape financial markets to avoid another crisis and what is clear is that regulation will increasingly become more intrusive. It is imperative that transfer agents play an active role in guiding clients through this maze, looking to provide support in numbers where common interpretation and practice is required. The TA Forum, which represents over 80 per cent of the transfer agency and platform market, is looking to provide industry guidance and best practice on a number of these areas so that not only do clients get comfort that within their provider they are aligned but also within the wider market.

Turning to FATCA the potential for this to materially impact our industry should not be under estimated. Whilst one can understand the position of the US government in wishing to collect appropriate taxes it does seem to be a very large and unwieldy tool. The major concern is that current interpretation leans towards the requirement for positive proof on non US residency rather than looking for indicators of US residency ie, we would need to see passports of all holders on the register. This cuts across current electronic identification of investors and would reintroduce paper into a process that the industry has strived to remove it from.

AST: How automated is transfer agency provision now? How much more could be done?

Weiss: There is a high degree of automation within the transfer agency sector today due to the demands from both firms that desire to invest in funds and funds that desire to embrace straight-through processing. The benefits of automation, including timely and accurate processing combined with overall processing cost reductions, continue to provide value to everyone in the fund arena.

However, there is always remove for improvement. We still see certain pockets within the fund processing arena that could benefit from more automation. For instance, the transfer of funds between two firms is often a cumbersome and lengthy process. We are working closely with the industry to evaluate if there are possible ways to use our platform to facilitate these transfers which will ultimately provide a better client experience and ease the administrative burden on the funds and firms. Another possible area that would benefit from automation is the payment of commissions. As we are expanding our commission settlement services to a broader geographic area, we are leveraging our existing system to support global nuances.

Hale: Automation is market dependent and varies greatly across client segment and location. Across our European UCITS funds, transactions are over 70 per cent STP, which is in line with industry statistics. For alternative and Asia fund processing the levels of STP are zero or very low at this stage.

So a lot more can be done in those markets where STP is low, as well as continuing to chip away in markets which are more mature and where STP rates are higher. We provide open flexible technology to enable STP, and it is down to the distributors, asset managers and indeed administrators to leverage standards such as SWIFT and open technology to better automate the industry. It is still surprising that we have these levels of automation today in the 21st century.

Nestor: Levels of automation vary by location. The UK has high STP rates however offshore providers, particularly those which distribute into Asia, continue to rely heavily on faxed trade orders.

The advantages to eradicating manual processes are well-known – increasing efficiency, eliminating costly human errors, and offering system consumable response messages. Product providers need to find ways to incentivise distributors to use STP mechanisms and convince them of the mutual benefits of full STP connectivity.

Willis: The answer is that currently it varies between asset management groups dependant on their distribution channels, and so this influences overall rates. Currently the best levels of automation are seen in the institutional space with rates between 70-90 per cent with some even higher. Historically this has been trade execution only but increasingly this is now moving into settlement of trades also. Once you move outside of institutional flows the automation rates fall dramatically with on average below five per cent for IFA led and direct business. Platforms are increasing automation in the IFA space and the expectation that most or all IFA business will be platform based post RDR has meant that TAs have not focused in this area. There will be further advances with the adoption of electronic reregistration through 2012.

> Hale: There is a significant disconnect and credibility gap between the asset managers and their clients, the investors, in terms of customer service

In the retail space we have historically seen little demand for web-based services that could drive automation, but I expect to see this change as managers assess the post RDR landscape and the potential levels of orphaned clients that web based guided models could support.

Hakim: Automation of transfer agency services is considered essential by our clients because automation when handled correctly reduces administrative costs, decreases risk and increases efficiency, which is the ideal scenario. However as an industry (according to the latest market research), we are far from being perfect in this area, even with the anticipated move towards institutional omnibus accounts and increased interfaces with clearing organisations. Ultimately the best way to improve the statistics for automated processing of trades is to push more online trading tools to the end investor and intermediary, and encourage them to move away from faxes, and posted applications. Providing the right technology and making the interaction simple, effective and rewarding are all steps in the right direction.

Slotosch: Transfer agency has come a long way in terms of automation and STP but it is still a fragmented industry, especially in Europe and Asia. There is a huge dependence on legacy proprietary trade file formats in fund centres such as Luxembourg and Dublin. Fund platforms have helped the industry in Europe to automate the market further. But industry standards like SWIFT 20022 should play a much bigger role for the funds business globally. In Asia the jury is out if the platforms are able to adjust their models in order to support the domestic as well as the cross border market and fulfil the expectations of the Asian clients and regulators. Other initiatives are under way. Some of the central depositories (ie, Korea, Taiwan, and Hong Kong) are in the process of automating their fund markets. There is still a lot of work to do on automation. Even though a service provider might be prepared to take automated transactions the key to success is that the other side of the transaction is capable to support this as well. In order to make this process easier the transfer agents must be open to support different means of automated communication.

AST: How can a good transfer agency service help improve the service that asset managers offer their clients?

Hale: Several studies have shown that there is a significant disconnect and credibility gap between the asset managers and their clients, the investors, in terms of customer service. Asset management isn't just about good returns; it is also about how you deal with your customers, which is often brought into focus when returns are poor, as has been the case many times since the financial crisis.

> Weiss: Timely and correct client statements and efficient and accurate call centre operations are among the most important communications between the fund and the investor

Transfer agency should be key to that client service function, encompassing how the distributors as well as end investors are managed in the traditional world and how the customer services expectations of typically high net worth investors are met in the alternative funds world. Providing accurate and timely transfer agency and investor servicing processing is a given. It is how data is received, processed and the resulting information delivered back to the asset manager and the investor that is key to providing a high-quality transfer agency service. There is an opportunity for administrators to provide value-add services directly to distributors as well as their current asset manager clients, in a widening fund distribution support function.

Nestor: A well-delivered transfer agency (TA) service offers asset managers an opportunity to demonstrate outstanding client service through the various distribution channels available to them.

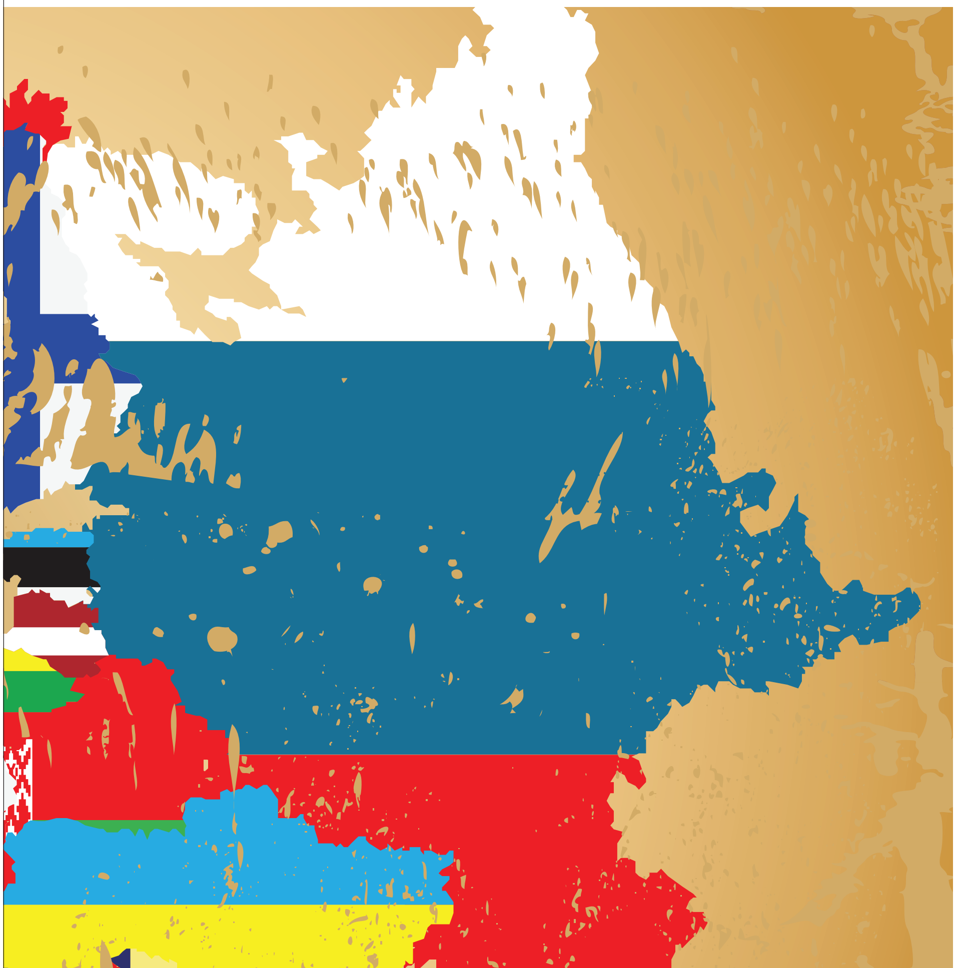
Providing services that allow distributors to operate efficiently and add value is critical. Innovative technology solutions have a key part to play. Our recently launched taWeb solution is aimed at assisting our clients and their distribution community raise and retain assets by providing real-time online access to consolidated TA data across multiple strategic and legacy systems.

Willis: Today the transfer agent is more connected to the clients than most asset managers, be that client the platform, nominee, IFA or retail investor. The evolution of outsourcing, growth in platforms and cost cutting within asset managers had driven this so now the transfers agent can really provide value added services. These can be platform and nominee services, IFA network solutions and retail consumer feed back surveys both at an individual asset manager level and at a consolidated level. Many of the platforms now rank the managers that have funds on their platforms, and these "league tables" increasingly play an important part as to the prominence of the funds on the platform. The transfer agent can materially assist its clients in achieving good results in this area.

I also believe that both the financial crisis and the evolution of outsourcing has weakened the depth of knowledge in certain areas with asset manager groups, and it is essential that good transfer agency services help bridge that gap. This may take the form of detailed compliance or tax knowledge or product development.

Hakim: The service offered by the transfer agent is undoubtedly of great importance to any asset manager, as the transfer agent is the client-facing window to distributors, intermediaries and the ultimate investors. These interactions can easily influence key relationships for the asset manager, positively and negatively. In order for a transfer agent to provide the best possible service to the asset manager, and ultimately the end investor, it must provide a service which represents value for money and it must be able to fully service the suite of offered products seamlessly. We believe that a transfer agent can only achieve this level of potential when they have a global transfer agency solution and in such an environment of consolidation, allow the transfer agent to support multiple products across multiple jurisdictions on the same platform, while reducing the total cost of servicing.

Slotosch: First of all I think it is important to get



the basics right. A focus on core processes and excellent service levels with regard to transaction processing, settlement etc on a global scale. Secondly a service provider needs to focus on distribution channels. A quick access to key distribution platforms and STP opportunities needs to be readily available. Another important point is to have a proactive approach to informing and engaging with the clients on new regulations and industry change.

Last but not least a service provider needs to expand its offering further and support the clients in their distribution efforts by proving a truly global network, easy access to market and regulatory intelligence and support them with your local know how and a dedicated local client service team. This will also include the ability to support domestic and cross border fund products and provide consolidated reporting across the various product types.

Weiss: In many respects, the services of the transfer agent are the only touch points to most clients. Timely and correct client statements and efficient and accurate call centre operations are among the most important communications between the fund and the investor. Good transfer agency services that incorporate high standards with these client-facing functions enable the asset manager to focus on managing the fund because they have confidence that the customer service aspects are being appropriately addressed by the transfer agent.

AST: What are the challenges transfer agents face when it comes to cross-border fund distribution?

Hale: One of the first challenges is dealing with all the new regulation such as UCITS IV and V, FATCA, AIFMD, RDR in the UK, and PRIPs to name a few. It is becoming increasingly uneconomic to understand and address all the changes on a one-off basis, particularly for administrators with in-house systems.

Secondly, there is the convergence of the UCITS and alternatives industry as mentioned above, but also the growth in the alternative UCITS market, where you have funds with distribution structure/commissions and performance fee equalisation, which will cause some challenges (and opportunities for some).

Finally, there is the challenge of emerging markets such as distribution in Asia and South America, and potential new product offerings associated with fund distribution support for distributors.

Nestor: The varying automation levels between different regions means a continued reliance on the fax, manual trade entry and its well documented shortcomings.

Also the impact of varying regulation in target distribution countries is likely to have an impact. For instance; Luxembourg and Dublin dominate the European cross border distribution landscape. Neither of these countries are presently included within the multi-lateral agreement with the US which provides for a less intrusive FATCA reporting regime. This will increase their FATCA compliance costs compared to other EU domiciles and may decrease their attractiveness to US investors.

Willis: Transfer agency is now moving from ‘order taker’ to ‘distribution enabler’, providing increasingly more joined up services on a global level. Cross border used to mean within Europe but the financial crisis within Europe and the emergence of Asia and Latin America now dictate the requirements of a provider with a truly global footprint. Once you move outside of Europe the requirements of detailed local regulatory knowledge come to the fore coupled with the requirements of speed to market delivery as everybody wants to be in the next hot spot. However it is not sufficient to think that once funds are registered the job is over. The mantra “think global service local” really plays out outside of Europe, and both Asia and Latin America have in-country and language/time zone requirements that are not satisfied by a “send orders to Europe” operation. There are also wide cultural differences as to what constitutes good service in some of these countries and provision of local service on the ground is now expected. The evolution within transfer agency is to move ahead of client demand rather than react to client demand.

Hakim: When dealing with cross border fund distribution, transfer agents, asset managers and transfer agency systems have to be able to handle a variety of factors including multiple product types, languages, time zones and differing distribution channels alongside specific tax implications which can be dependent upon a multitude of factors (all of which need to be considered) and various mandated regulations including secrecy laws. Transfer agents that are relying on multiple platforms/relationships have to rely on expensive measures to keep their service levels up to expectations. When staff have to be trained on multiple systems and when increased development cost is needed to maintain same level customer experiences across markets, it all adds up to inefficiencies, unnecessary expenses and continued frustrations at the corporate levels.

> Hakim: Asset managers are now responding to the realities of the new environment

Slotosch: A very substantial challenge for service providers is to be there where your clients want you to be. At HSBC we have quite a substantial transfer agency footprint. We are also in the position to support our clients with local knowledge, domestic product support and local client service.

Another challenge for us as well as for our clients is the regulatory environment which is changing faster and faster. A lot of investment is required in order to support and facilitate these changes in order to ensure that we are 'ready'.

An additional point is - that even though we have seen some improvements- the overall lack of automation in the transfer agency industry. When you run your business on a global scale the differences become quite obvious.

Weiss: There are certain benefits of harmonisation that are reducing the challenges of cross-border distribution; however, we find that our clients are still concerned with such issues as privacy, disclosure and tax consequences. We are working closely with our users to identify those cross-border challenges that our services might be able to address and we are developing solutions that leverage our core capabilities.

AST: What are your predictions for the future of the industry?

Hale: Fund types will continue to converge in their characteristics as a result of more institutional investment into alternatives and retail investor demand for absolute return funds. Private equity fund administration will increasingly be outsourced on the back of AIFMD. An Asia fund passport is likely to emerge to compete with domestic and UCITS fund distribution in Asia.

As asset managers continue to look for reduced administration fees, this will likely lead to further consolidation in the service provider market. The administrators will look to gain operational and cost efficiencies, driven by a reduced numbers of users across a reduced system but across an increasing number of fund types and jurisdictions. The cost of maintaining in-house systems will become increasingly uneconomic with the continued regulatory change.

Providing efficient global cross fund type transfer agency processing is key and at Multifonds, we work in partnership with our clients to help them achieve this.

Nestor: We expect to see the trend continue towards the third-party administration (TPA) model with large service providers such as BNY Mellon, JP Morgan and Citi providing the record keeping and distribution support functions.

Companies, including TPAs, will continue to offshore their administration helping to cut costs and provide solutions that otherwise could have been very expensive for them.

It will also be interesting to see the development of the regional platform sector and the impact that this growing distribution channel will have on the TA market.

Willis: The current financial situation will continue to drive asset managers to concentrate on core functions and look for value where they can by outsourcing more across all levels. RDR will create opportunities for some to exploit the direct and orphaned advised retail clients but in turn this will create further fee pressures within other managers, which will again mean that further value will be looked for which can only be delivered by a material increase in automation in these distribution channels.

Regulation will not shrink and globalisation will only increase areas where local regulations cut across each other and it will need real focus and co-ordination within the industry to influence/guide best practice.

Hakim: Asset managers are now responding to the realities of the new environment and are increasingly exploring opportunities to adopt variable-cost models and as such we anticipate the consolidation and outsourcing trends to continue and for straight-through processing methods to be continually developed. Brand recognition for asset managers continues to be of a significant importance as nervous investors increasingly look at brands in terms of reputation for service and reliability, particularly as products become ever more complex and portfolios difficult to decipher making an investor's trust in the asset manager brand a potentially significant differentiator. Regulation looks set to continue to be a strong politically driven force for the foreseeable future, and we expect to witness the regulatory demand for increased transparency over fees and costs to widen, with the associated administrative costs to rise. From our perspective as a service provider, the number and nature of enquiries currently being received is encouraging, and reinforces our commitment to the concept that transfer agency solutions need to be highly functional, scalable, configurable, adaptable, comprehensive solutions that reach securely across administration centres, international borders, and financial products as one truly global solution offered at a competitive price.

Slotosch: I believe we will see a continued growth of the UCITS brand especially in Asia. However, I except that Asia will develop an Asian cross-border vehicle. The value added services, which a transfer agent provides nowadays will increasingly become the differentiator.

Weiss: Without the benefit of a crystal ball to truly see what the future holds, I believe there's a sea of change taking place in the markets, and it will impact the industry profoundly. This is the year in which many of the rules proposed under Dodd-Frank make their way into regulations, so the industry's ability to respond to these regulations is yet to be determined.

On the global front, the adoption of uniform principles and practices will have a big impact on how many financial institutions operate. It will mean that for many lines of business, there will be less opportunity for regulatory arbitrage. Firms will not be able to execute trades in, or route trades through, certain jurisdictions in order to avoid one regulation or another, because there simply won't be as many distinctions and differences across jurisdictions as regulators find common ground. In fact, the most important point reflected in the CPSS-IOSCO principles is precisely this very evident commitment among the securities regulators and central bankers to work together to craft common principles applying to the market infrastructures.

Given all the changes that are yet to come, my best bet for a prediction is to hold on tight because this is going to be a bumpy ride. **AST**

Luxembourg

A continued focus on innovation and efficiency is keeping Luxembourg at the forefront of the global fund administration industry

BEN WILKIE REPORTS

Despite a deteriorating eurozone outlook eating away at Luxembourg's financial services industry, bright spots are on the horizon.

As the second-largest investment fund centre in the world and the largest in Europe, Luxembourg's financial sector continues to adopt European Union regulation early, which is helping to draw in hedge funds, particularly those adapted to operate within the UCITS framework. By mid-2011, over 3,700 hedge funds were registered, a total exceeded only by the UK and France.

The size of Luxembourg's UCITS sector is now a major attraction for hedge funds moving into Europe to earn credentials for eventual distribution beyond the EU while the country's low public debt and relatively stable economy present advantages in attracting investment fund flows albeit with fierce competition from Ireland, the Channel Islands and even Malta.

Its success as a financial centre, says agency Luxembourg for Finance, is grounded in the social and political stability of the Grand Duchy and in a modern legal and regulatory framework that is continuously updated, allowing it to offer a wide variety of investment fund vehicles. It is also at the top of the World Economic Forum's global competitiveness index for the prevalence of foreign ownership of companies.

But an impending recession in Europe, and resulting slowdown in demand from the eurozone will dampen exports, with financial services, which accounts for some 28 per cent of GDP according to some estimates, suffering most. And the outlook for GDP growth over the next year has weakened further, notes Ernst & Young in its most recent economic report on the country. The firm has heavily revised its forecasts for growth – to 1.9 per cent compared with 3.5 per cent in an earlier report. For 2012, it predicts 0.9 per cent growth, revised down from 1.7 per cent.

The revisions take into account that the economy took a much larger hit from the global crisis than previously calculated while the greater than expected intensity of the eurozone crisis too is affecting future growth prospects. That has certainly spurred officials, such as the finance minister, trade minister and Grand Duke, to market Luxembourg as Europe's financial centre to high-growth regions such as China and South East Asia. Relocation of offshore funds and gradual recovery of eurozone financial markets will undoubtedly support financial sector growth but sustaining net inflows in the longer term will require tapping into rising savings flows from East Asian and Middle Eastern emerging markets, notes Ernst & Young.

The global financial crisis has not changed the landscape in Luxembourg, says Marc Wenda, product manager, hedge fund services at European Fund Administration. "The crisis simply accelerated trends that were already happening. There's a higher awareness of risk, not just in portfolio reporting but also in the onboarding of new clients and new funds as well as the due diligence requirements from investors."

A more near-term bright spot is the push to derivatives clearing. Alternative investment funds that will now need centralised derivatives trading may be encouraged to relocate to Luxembourg because of its early moves towards an ECB-linked securities repository. In October, Clearstream announced that its joint venture, LuxCSD, with Luxembourg's central bank became fully operational and will serve as the access point to TARGET2-Securities (T2S).

LuxCSD provides the Luxembourg financial community with central bank money settlement prices as well as issuance and custody services for a wide range of securities, including investment funds.

One of the key advantages of Luxembourg is its workforce. Having been a major funds centre for decades, the country boasts a highly qualified pool of staff, mainly from Belgium, France and Germany, as well as locals, who are fluent in the major languages and experienced in all aspects of the funds industry. Over 500 fund promoters are based in the country, and the technological infrastructure also means it is straightforward for businesses based there to sell globally.

But it's regulation that's the key. Luxembourg was the first European jurisdiction to allow cross border distribution of funds. So a firm could base itself in the Duchy and sell across several countries from one hub. It's estimated that 80 per cent of European funds that are sold in three or more countries are domiciled in Luxembourg.

It's also been quick on the uptake when it comes to integrating trans-national regulations. As one of the first countries to be ready for UCITS I and UCITS II, Luxembourg was also one of the first countries to introduce UCITS III into national law in December 2002, a move welcomed by the local fund industry. In fact, the only barrier holding Luxembourg-based funds back is the speed at which other countries have been introducing the legislation - at present there are

still restrictions in some jurisdictions on selling UCITS III funds. And in December, UCITS IV was passed into law.

Since 2002, Luxembourg has become an increasingly important destination for hedge funds, an area that it didn't see much of prior to that time. An investment circular published by the Commission do Surveillance du Secteur Financier (CSSF) increased the appeal of the jurisdiction for hedge funds, and further moves - such as the abolition of subscription tax for triple A funds that are solely for institutional investors have increased the inflows of funds to the country. The new hedge fund laws didn't really change anything; they simply formalised the regulation for what had been generally understood in the markets for some years.

However, the fact that there are now formal laws has reassured a jittery market. The downturn of the past couple of years meant some offshore jurisdictions became wary of a flight to perceived quality - countries where the regulations were understood by regulators and governments who remained concerned that some areas of the financial industry were out of control.

While Luxembourg of course experienced some ructions during the downturn, the impact was surprisingly low - due in significant part to the confidence both the industry and European governments had in the strength of the infrastructure of the country. And while there will always be complaints about the favourable tax status Luxembourg-based funds may receive, the mutterings about Luxembourg have been far more muted than in other jurisdictions, such as Dublin.

"For a reason we don't always quite understand, some people have chosen Luxembourg over countries like Ireland for perceived risk reasons," says Wenda. "I don't understand it - as long as the law is enforced, then there is no additional specific danger to the fund. Maybe it is perceived tax stability, which obviously exists in Luxembourg."

The main issue affecting providers in Luxembourg has been simply keeping up with the volume of new regulations and laws coming through over the past couple of years as governments and regulators have panicked and tried to bring in barriers to further market turmoil. Whether it's on a cross-border level, such as the European Union Savings Directive or the impact of US laws such as Dodd-Frank, the new International Accounting Standards or local legislation, such as the recent German tax rules, the workload for some providers has become intolerable.

"As a small firm, we were spending more and more of our time and budget on preparing for new regulation," says one former country manager at a boutique administration firm that has now been bought by a larger player. "There have always been issues with economies of scale, but because we offered a bespoke service we could still manage to give our customers the experience they needed. But with all the changes that have taken place in recent years we couldn't keep up and it's worked out for the best for both us and our clients that we are now part of a much larger organisation."

Consolidation has become the name of the game here. Many of the global players have made acquisitions, while several local names have merged. Further consolidation is expected.

"Some smaller standalone fund administrators may be struggling," explains Wenda, "but this is due to the existing business being consolidated or merged, or massive redemptions."

The pension fund market has not been quite so successful. Although the law was changed more than a decade ago to allow pension funds to be launched in Luxembourg, so far only a handful have decided to do so. Taxation is thought to be the reason for this.

"Taxation hinders the creation of cross-border pension funds," says Stephane Ries, head of relationship management at the Investment Fund & Global Custody Department of Kredietbank S.A. Luxembourgeoise. "Luxembourg acknowledged it could not attract many multinational pension funds and began to focus on getting the assets of those funds into the domicile. Nowadays, if a multinational company is running several pension funds for the benefit of its employees, it can create a single investment fund in Luxembourg in order to leverage off economies of scale in pensions management. Luxembourg has just introduced an exemption from the taxe d'abonnement for these funds, which are also called pension-pooling vehicles."

One area where large amounts of growth is expected is in the servicing of alternative funds. Sicavs and property funds are expected to become more popular, and the industry within Luxembourg is gearing up to service these different models.

"Business is stable," explains Wenda. "What we are seeing is that it takes much more time for new projects to go live. The alternative sector, however, remains the growth area." **AST**

2012

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ITAS 2012 International Transfer Agency Summit

Location: Luxembourg
Date:29 February - 1 March 2012
www.informaglobalevents.com

Last year, the 10th Anniversary of ITAS saw 250+ attendees at the event. The positive feedback led all involved to declare it a resounding success in terms of catching up with business partners, listening to and debating with some of the leading figures in this industry, and having great fun at the evening functions. Already there is great anticipation in the market for coming along to ITAS 2012.

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9th Annual PASLA RMA Conference on Asian Securities Lending

Location: Taiwan
Date: 6-8 March 2012
http://www.rmahq.org/securities-lending

Keynote Speaker - Robert A. Jaeger, senior investment strategist, BNY Mellon Asset Management, Author of "All About Hedge Funds: The Easy Way to Get Started"

04 April

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Securities Financing Forum London

Location: London
Date: 20 March 2012
www.dataexplorers.com

Join the leading practitioners in the Securities Financing industry for a day of debate and insight into this market. Last year the London forum sold out quickly and was attended by close to 300 delegates. This is a date not to be missed.

05 May

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Securities Financing Forum New York

Location: New York
Date: 22 May 2012
www.dataexplorers.com

The Data Explorers Securities Financing Forums bring together the world's most influential securities financing professionals, including beneficial owners, hedge funds, prime brokers, agent lenders and regulatory experts; all of whom come together each year to engage in debates that will help define and drive the future of securities financing

Industry appointments

National Settlement Depository (NSD) has announced the appointment of **Andrei Shlyappo** as VP, operations director. In this role, he will manage the Department of Depository Operations, the Department of Cash Settlements, the Client Relations Department, the Clearing Department and the Service for the Provision of Non-Interruptible Business.

Most recently Shlyappo was head of the Department of Depository Operations and he has held various other roles at NSD. He was also an economist at MICEX and is a graduate from the Moscow State Steel and Alloys Institute.

State Street has announced the appointment of **Dan McNicholas** as head of sales for the firm's Alternative Investment Servicing Solutions (AIS) in Asia Pacific.

Based in Hong Kong, McNicholas will lead sales strategy for State Street's hedge fund servicing, real estate and private equity operations across the region and will work closely with client-facing teams to develop sales strategies for its alternative investment capabilities. He joins State Street from Bank of America Merrill Lynch where he most recently worked as director and head of Financing Sales for Global Markets Financing & Futures, Asia Pacific.

"The market for alternative investment servicing solutions continues to accelerate and it's crucial to our long-term growth in Asia Pacific," said Carol Hall, senior managing director and head of AIS in Asia Pacific. "Many of our clients are facing unique challenges in the current market environment and require a range of front, middle and back office, as well as a broad range of risk, performance and analytics services as a critical component to their success. Dan is an industry veteran with an outstanding record. We are pleased to have him on board and look forward to continuing to sharpen our focus on delivering comprehensive alternative investment servicing solutions across the region."

McNicholas has more than 15 years of experience in sales and client services with previous roles at Lehman Brothers and Deutsche Bank. He reports to Maria Cantillon, global head of AIS Sales.

The European Association of CCP Clearing Houses (EACH) has announced the election of **Marcus Zickwolff**, head of trading and system clearing design at Eurex Clearing, as chair for a two-year term. He replaces two-term chair Rory Cunningham of LCH.Clearnet, though Cunningham will continue as a member of the executive board.

EACH also announced its support of the European Market Infrastructure Regulation (EMIR) and expressed its encouragement of "the use of standardised products and services and support [of] all measures to improve the safety, integrity and efficiency of financial markets".

"CCPs are key to the future market structure, which in Europe, will be shaped by EMIR, MiFID II and CRDIV. EACH will continue to contribute to the integrity and the stability of the global financial system. Therefore it will closely work together with public authorities as well as the financial industry to achieve safe and efficient financial markets by consistent regulation," Zickwolff said.

Re-elected to the executive committee were, **Bhagwant Singh** of EuroCCP and **Marco Polito** of CC&G. Newly elected to the executive committee was **Ignacio Solloa** of MEFF and **Ann Flodström** of SIX x-clear was elected treasurer.

GlobeOp has appointed **Tim Ridley** to its Cayman Islands subsidiary board. Ridley, the former chairman of the Cayman Island Monetary Authority (CIMA) and a former senior partner of Maples and Calder, was appointed following the recent resignation of Gary Linford.

"I am pleased to join GlobeOp at a time of significant evolution in hedge fund transparency, reporting, and board oversight and responsibility," said Tim Ridley. "As an independent Tier 1 administrator, GlobeOp offers valuable industry leadership. Counterparty risk, asset verification and regulatory reporting services contribute to good fund governance."

Ridley served as CIMA chairman from 2004-2008, having been a member since 2002. He is a frequent speaker and writer on financial services and regulatory themes. Ridley has also served as an editorial board member for several leading industry and legal publications. He currently serves as a director of various private companies.

"Demand for greater hedge fund transparency and governance is increasing," said Vernon Barback, GlobeOp president and COO. "Tim Ridley's legal, financial and regulatory expertise will be a benefit to GlobeOp and its clients. We look forward to his contributions as we focus on independent valuation, regulatory and board reporting. I would also like to thank Gary Linford for his contributions to GlobeOp - particularly related to Cayman regulatory updates - since his appointment to the board in 2008."

The announcement comes as private equity firm, TPG Capital, agreed to buy GlobeOp for £508 million. Though GlobeOp management has urged shareholders to approve the sale, the Financial Times reports that rival hedge fund administrator SS&C Technologies is setting the stage for a bidding battle. **AST**

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Published by Black Knight Media Ltd
16 Bromley Road, Beckenham, Kent, BR3 5JE, UK

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Andrew Walker
TWEETMINSTER

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- How Can We Simplify Procedures In A World Of Fragmentation Of Fund Management Operations?
- Platform And Distribution Support Models - How To Keep Up To Speed With The Evolution Of Different Service And Operations Models
- Can The TA Really Become A Distribution Partner?
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Chief Operating Officer
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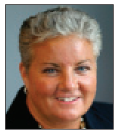

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Noel Fessey
Global Head of Fund Services
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Retail COO, Retail Change & Operations
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