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Franklin Templeton moves to quell Proprietatea confusion

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After a Romanian court cancelled the appointment of Franklin Templeton as administrator to the Proprietatea Fund, the investment management company attempted to clear up confusion surrounding the case.

On 10 October, the Court of Appeal of Bucharest withdrew the US company Franklin Templeton as Proprietatea's fund administrator and suspended Proprietatea shares from trading on the Bucharest Stock Exchange.

Launched in 2005, the fund was established to compensate Romanians whose properties were confiscated by the former communist government.

But a Franklin Templeton spokesperson stated that the misunderstanding has arisen because of one shareholder—Ioana Sfîrăială—who has caused delays by contesting various decisions at board meetings. Though the court decision admitted one of her decisions and ruled in her favour, Franklin Templeton said that this had not halted its administration.

On 10 October 2012, the Bucharest Court of Appeal rejected Sfîrăială's appeal, and upheld the Bucharest court's 22 December 2011 decision. The Bucharest Court of Appeal's ruling is final.

But Franklin Templeton acknowledged that the court permitted Sfîrăială's request to annul four meeting resolutions from 2010 due to a breach of formalities that are required for the calling of a meeting. A part of the resolutions that were declared null and void related to the formal acknowledgement of the appointment of Franklin Templeton Investment Management as sole administrator of the fund.

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ASTINBRIEF

SS&C acquires Gravity Financial

SS&C Technologies has acquired Gravity Financial, a Connecticut-based full-service fund administrator, in order to build its presence in the alternative fund services industry.

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SIX gives International Minerals a slap on the wrist

SIX Exchange Regulation has reached an agreement with International Minerals Corporation over incorrectly presenting an income statement, with the company promising to invest in IFRS training for its employees.

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Franklin Templeton moves to quell Proprietatea confusion

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“At this stage, the fund manager is not aware of the full reasoning of the Bucharest Court of Appeal, as for the moment only the very short statement is available,” said Franklin Templeton.

“Nevertheless, for the avoidance of any confusion, the fund manager would note that the version of the Constitutive Act to which the Court decision relates is not the one currently in force … accordingly, the fund manager is liable to observe the current Constitutive Act and the shareholders’ resolutions, and consequently will continue to manage the fund in accordance with its management agreement, in collaboration with the board of nominees.”

Greg Konieczny, fund manager of Fondul Proprietatea, added: “It is an unfortunate situation when a single minority shareholder seeks to use the court system to interfere with and delay the implementation of resolutions adopted by the vast majority of the fund’s shareholders.”

“Nonetheless, we should recognise that the Bucharest Court’s decision was based on a strict technical procedural argument and refers only to the shareholders’ resolutions that were approved in September 2010. Since that time, the fund’s shareholders have expressed and confirmed their intentions for the fund’s management on numerous occasions with further resolutions and even reiterated their approval of the subjects covered in September 2010. We will continue to respect those resolutions and to manage the fund in accordance with our management agreement and the current Constitutive Act.”

ISO standardisation rates for funds creep up

A European Fund and Asset Management Associatoin (EFAMA) survey with SWIFT revealed that the automation rate of orders received by Luxembourg and Irish transfer agents reached 77 percent, compared to 75.6 percent in Q4 2011.

In Luxemburg, the total automation rate increased to 73.1 percent, while in Ireland, total automation rate is now at 84.6 percent. While ftps still represent the bulk of it, the ISO adoption rate made a progression of 4.2 percentage points to 17.3 percent in Q2 2012.

The ISO standardisation rate has doubled in Ireland over the last two years, reaching 17.3 percent in Q2 2012 against 8.5 percent in Q2 2010.

The number of manually processed orders decreased by 7 percent to 2.8 million received faxes: a daily average of some 25,000 incoming faxes.

Peter De Proft, EFAMA director general, said: “In the previous edition of the report, we set the goal for the industry to move closer to the 80 percent threshold for total automation rate in 2012. The mid-year 77 percent rate is an achievement to applaud and a very positive step in this direction.”

Fabian Vandenreydt, head of securities markets at SWIFT, added that standardisation will allow the industry to further reduce the 25.000 orders per day that are still treated by fax.

SS&C acquires Gravity Financial

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The transaction adds 40 fund services customers and 10 members of staff.

“This acquisition expands our fund services capabilities with a talented group of professionals,” said Bill Stone, chairman and chief executive officer of SS&C Technologies.

“The acquisition is well-aligned to our overall corporate strategy and will enable us to add further value to clients in the Northeast.” The business will operate under the name SS&C GlobeOp and will be led by the founding partner of Gravity Financial, Kirby Richards, CPA, and Paul Timmins, CPA, who have joined SS&C GlobeOp as part of the transaction.

“SS&C’s financial strength, combined with its fund services and innovative solutions presents tremendous value to our clients,” said Kirby Richards, CPA. “We are excited about joining the exceptional team at SS&C and further building our business.”

SIX gives International Minerals a slap on the wrist

Continued from page 1

In its interim financial statement of 31 December 2011, International Minerals Corporation chose a format of presenting its income statement not permitted under International Financial Reporting Standards (IFRS), resulting in the subtotal for expenses to be understated by $1.9 million (36.6 percent).

In addition, the format selected by International Minerals Corporation failed to identify the amount of revenue for the period. The incorrect presentation did not affect the amount of net income for the period in the amount of $26.3 million presented by International Minerals Corporation.

“Furthermore the notes on the statements 2011/2012 described the securities held as valued at quoted prices in active markets (level 1), even though $395.7 thousand (9.5 percent) could only be valued at historical cost as a proxy for fair value (level 3),” said SIX.

“Even though this incorrect disclosure did not impact the valuation of these securities, readers of financial statements were deprived of qualitatively material information about the valuation methodology.”

RBC Investor Services takes care of private wealth manager

RBC Investor Services has been mandated by IIG Financial Services to provide the private wealth manager with custody and foreign exchange services.

RBC Investor Services will accompany Gibraltar-based IIG Financial Services as it moves from a private banking custody model to a global custody model in support of their planned growth and as an integral part of their client acquisition strategy. The account will be serviced in the UK.

ForexClear market coverage hits 95 percent

LCH.Clearnet has expanded the range of currencies cleared through its FX clearing service ForexClear. The eleven major currencies now available enable 95 percent of the non-deliverable forward market to be cleared.

The currencies now available are: Brazilian real, Russian rouble, Indian rupee, Chilean peso, Chinese yen, South Korean won, Colombian peso, Indonesian rupiah, Malaysian ringgit, Philippine peso and Taiwan dollar. The service’s client clearing business is set to launch later this year.

Gavin Wells, CEO, ForexClear said: “The exponential growth of ForexClear demonstrates the demand and relevance of the service. I am very excited that we will expand this to buy-side clients, thus offering risk management and counterparty risk mitigation to the entire market. ForexClear is a compelling offering, built with market participants to deliver exceptional levels of protection through our world-class risk management framework.”

RBC Investor Services launches global derivatives service

RBC Investor Services has launched a derivatives platform to deliver middle and back-office services to listed and OTC derivatives.

“Global clients are increasing their investments in listed and OTC derivatives using a convergence of traditional and alternative investment strategies,” said the firm. “Client migrations to the platform have already begun and will continue in 2013 with the integration of the new central clearing requirements in the global operating model.”

“This is a robust, scalable, and flexible application that enables RBC Investor Services to continue delivering the highest standard of client service, manage increasing volumes of trades and support the expansion of our product coverage,” said Olivier Laurent, director of alternatives investment.

The new global platform will support an increased range and complexity of derivatives products and services such as trade processing, independent derivatives valuations, cash flows and collateral management.

Aberdeen Immobilien picks Caceis as depository service provider

Aberdeen Immobilien Kapitalanlagegesellschaft has selected Caceis Investor Services in

Germany as its new depository services provider for 'WertFonds S', a real estate special fund for institutional investors, managed by Acteum Investment.

Caceis Investor Services performed a successful migration of the fund by the agreed deadline. The German investor services firm currently holds €20 billion in direct and indirect real estate assets under Depotbank.

Standard Bank appoints BNY Mellon as depository

BNY Mellon has been appointed by Standard Bank as depository for its sponsored American depository receipt (ADR) programme.

Previously, the South African bank traded in the US OTC market as an unsponsored DR programme.

"We are delighted to partner with BNY Mellon in establishing a sponsored ADR programme and to be traded on the US OTC market," said Simon Ridley, CFO of Standard Bank.

"There is great scope for the expansion of banking services in sub-Saharan Africa, and this ADR programme is an exciting new source of potential investors to drive our growth strategy."

"By establishing its new sponsored DR program, Standard Bank Group has confirmed the importance of DRs for South African issuers in developing their global investor relations strategies," said Michael Cole-Fontayn, CEO of BNY Mellon's Depository Receipts business. "We will continue to help South Africa's top companies develop their global investor base through the use of DRs."

CIBC Mellon to provide asset servicing for Vertex One

CIBC Mellon has been selected to provide asset servicing solutions for Vertex One Asset Management's family of funds.

The funds include the Vertex Fund, the Vertex Managed Value Portfolio, the Vertex Enhanced Income Fund, the Vertex Growth Fund, and the Vertex Value Fund.

CIBC Mellon will provide the funds with custody services, fund valuation, fund trustee services, unitholder recordkeeping services, an integrated sales reporting and relationship management system, and access to Workbench—CIBC Mellon's leading-edge investment information platform.

Maples Fund Services expands hedge fund offering

Maples Fund Services expands its hedge fund capabilities with the launch of a risk dashboard intended to complement the services provided to fund administration clients with a fully-integrated solution for on-line risk reporting. The dashboard will extend the MaplesFS' on-line solutions.

"With the new MaplesFS Connect risk dashboard, we are incorporating the best of what we have learned from our work with large hedge fund managers and institutional investors, and are making those capabilities available to any of our existing and future clients," said Tyler Kim, CIO of Maples Fund Services.

Scott Somerville, CEO of Maples Fund Services, added: "With MaplesFS Connect, we are pleased to provide hedge fund managers with the tools needed to ensure that idiosyncratic risks implicit in their alpha-generation strategies are well understood by their investors and boards."

BNY Mellon upgrades iFlow

BNY Mellon has implemented major upgrades to iFlow, its web-based application for analysing global capital flows across asset classes.

The enhanced version of iFlow is provided to clients via a restored global markets client portal. The new portal integrates BNY Mellon's written and video market commentaries with the company's trading capabilities in the FX, fixed income and equities markets.

iFlows new interactive tools include an 'investment heat map' to identify inflows and outflows across country markets for specific asset classes over user-defined time horizons, and 'cumulative comparative flows', which show current versus prior time-period capital flow changes by asset class and country market.

"The new version of iFlow provides a unique series of data analysis tools that leverage BNY Mellon's standing as the world's largest custodian of tradable assets," said Simon Derrick, managing director and chief currency strategist for BNY Mellon global markets.

SocGen SS Italy strikes again with transfer agency mandate

Société Générale Securities Services in Italy (SGSS) has been appointed by Allianz Global Investors Fund SICAV (AGIF) to act as its local transfer agent in Italy, providing it with paying agent and investor relations management services.

AGIF is an open-ended investment company incorporated under the Laws of the Grand Duchy of Luxembourg whose assets are managed by Allianz Global Investors Luxembourg.

SGSS's Italian division has signed three other agreements—AllianceBernstein Sicav and AllianceBernstein FCP, Aberdeen Global and Aberdeen Global II funds, and Mantex Sicav—in the last month.

"New foreign management companies are more and more attracted by the Italian AUM market (UCITS) thanks to the strong growth registered by AUM invested in foreign vehicles during the last 10 years," said Elaine Kiggins, head of client product development at SSGS.

"The penetration of foreign management companies in the Italian market reached 65 percent of total AUM. SGSS ... won 18 mandates in 2012 for UCITS promoted by 14 Man.Co. and is planning to get the mandates for other 10 UCITS by the end of the year."

BNY Mellon services 58th fund

BNY Mellon has been selected by Touchstone Investments to provide mutual fund accounting and administration, transfer agency and blue sky services for four additional Touchstone funds, bringing the total number of funds being serviced by BNY Mellon to 58.

BNY Mellon will also provide call center servicing and regulatory services for Touchstone's Investments mutual funds.

"This is the second time that we have expanded our relationship with Touchstone Investments this year," said Nancy Wolcott, executive vice president for, global financial institutions client service delivery at BNY Mellon.

"Our continuing investments in both people and technology have provided us with the capabilities to support Touchstone's growth and help them succeed in today's challenging market."

Strata adopts TKS system

Fund administrator Strata has adopted TKS Solutions' Penny–It Works system for back office accounting.

Key considerations in Strata's selection process were the ability to handle both shareholder and partner accounting, master / feeder structures, complex allocations, and fund of funds.

Jared Broadbent, a managing partner in the firm, said: "During our rigorous assessment process, Penny–It Works handled a wide variety of real-life scenarios in nearly every type of fund."

"The system is easy to use and easy to initialise, so we can deploy now and back-fill later for clients that want a full history in the system. Equally importantly, Penny is backed by a knowledgeable and responsive team. We bring high value to our clients and TKS's accounting solution will enhance our client offering and support our growth."

"Strata's use of Penny demonstrates our commitment to helping alternative investment accountants create the most optimal and transparent accounting workflows for firms, their clients, and their investors," said Ron Kashden, founder of TKS Solutions.

BNY Mellon lends a hand to Allianz Global Investors

BNY Mellon will provide outsourced accounting and data management solutions to a range of discretionary mandates managed by Allianz Global Investors.

The mandates will be serviced by BNY Mellon Service Kapitalanlage-Gesellschaft mbH. Michael Hartmann, head of operations Europe at Allianz Global Investors, said: "Given the harmonisation of processes and efficiency gains, the cooperation with BNY Mellon is an important step towards a target operating model. In an international company like Allianz Global Investors, it is even more important to install cross-departmental systems and processes that can be used globally."

NAB Asset Servicing and Deutsche Bank partner up

NAB's asset servicing business has formed a strategic alliance with Deutsche Bank's equities arm, Deutsche Securities Australia, to provide transition management services to NAB Asset Servicing clients.

David Foodey, head of transition management at Deutsche Bank, said: "Deutsche Bank has been providing transition services and consistently delivering value to large institutional investors since 1997. The strategic alliance with NAB Asset Servicing takes us to an exciting new phase in our client offering."

Carl Spurling, general manager of capability delivery at NAB Asset Servicing, said: "Whilst NAB is recognised in the market for our strong custody transition management team, until now the business did not have the capability to manage front-end transitions with clients."

"Through our strategic alliance with Deutsche Bank, we are combining NAB's project management and pre-trade tax expertise and Asset Allocation Analysis along with Deutsche Bank's global network and extensive experience in managing asset class transitions. Our clients will benefit from a holistic offering," Spurling added.

Schroders selects Bravura's Babel platform

Bravura Solutions has announced that Schroder Investment Management in Luxembourg has implemented its Babel financial messaging platform.

Schroders was involved in the development of Bravura's Depository Trust and Clearing Corporation (DTCC) connection and has deployed the offering across its business. The private circuit provides access to the National Securities Clearing Corporation (NSCC) network, enabling Schroders to take advantage of high speed message transfer services in the US.

"Direct connectivity to NSCC, using Babel to replace our previous arrangement of access via an intermediary agent, has bought us closer to our clients in the Americas and has enabled us to deliver a higher quality of service," said Gary Janaway, head of operations at Schroder Fund Services, Luxembourg.

Fundhost picks SS&C's AdvisorWare

Australian firm Fundhost has selected SS&C's AdvisorWare to support its hedge fund administration business.

Phil Banas, managing director, SS&C, Australia, said: "We use our own software in our fund services business and this strongly aligns our interests with those of our software clients. Fundhost is safe in the knowledge that our AdvisorWare hedge fund platform is proven and scalable and will support their business at every point in their growth curve."

BNY Mellon buys other half of asset management firm

BNY Mellon has bought the remaining 50 percent of its WestLB Mellon Asset Management scheme.

WestLB Mellon Asset Management was formed in 2006 as a 50:50 joint venture between BNY Mellon and German portfolio management and service company, Portigon (formerly known as WestLB AG).

The company has over 170 employees and more than €25bn in assets under management. President of BNY Mellon Investment Management, Mitchell Harris said: "The completion of this transaction is an important milestone for us. Germany has one of the most sophisticated investment industries globally, and is a key strategic priority for BNY Mellon. Acquiring the remaining 50 percent of our joint venture is a natural transition for us."

Former member of the managing board of Portigon, Werner Taiber, will be the new CEO of the asset management scheme, pending approval by German regulators.

Fidessa settles in Mumbai

Fidessa group has opened a Mumbai office, building on its other regional bases in Hong Kong, Singapore, Tokyo and Sydney.

Growing demand from Fidessa's global clients to trade Indian equities and derivatives has driven the establishment of a local team, office and datacentre facilities.

Sayant Chatterjee, previously Fidessa's senior vice president of business development in New York, will head up the operations as managing director of India.

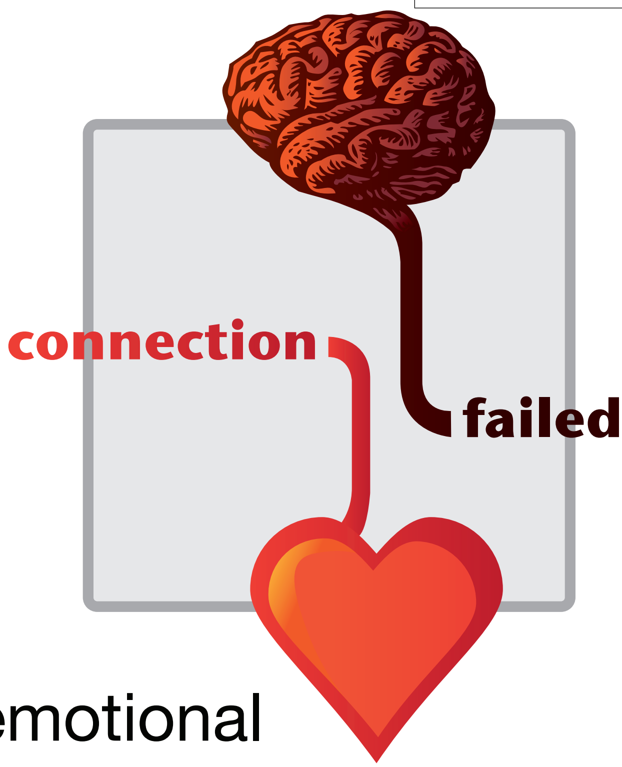
The Mumbai office and data centres enable Fidessa to offer a fully-localised service to firms trading the Indian equity and derivatives markets, and enhances on-the-ground support for Fidessa's current clients in India.

Chatterjee commented: "We look forward to the opportunity to partner with our customers and Indian exchanges to become an established vendor in this market and adapt our globally successful trading platform for this dynamic environment."

"With growing customer demand for advanced trading technology and favourable developments in capital markets regulations on third-party outsourcing, Fidessa has decided to broaden its presence in India."

Through the local operation, clients will be able to access Fidessa's multi-asset trading, risk management and connectivity solutions. "A key component for Indian markets is the suite of advanced trading tools, which comprises Fidessa's algorithmic trading engine, BlueBox, as well as basket and pairs trading capabilities," said a statement from the company.

Fidessa has opened three other new offices within the last 12 months, establishing operations in Sydney, São Paulo and Chicago.



Rational versus emotional

A very human reaction to centralisation was the topic of choice at the ALFI conference in Luxembourg

GEORGINA LAVERS REPORTS

A lunch at the Association of the Luxembourg Fund Industry (ALFI) conference gave rise to a significant issue in the funds industry: how to centralise when your instinct is telling you otherwise?

Nils Johnson, the director of marketing intelligence provider Spence Johnson, introduced his survey on trends in cross-border distribution, and expressed surprise that some players have not taken up any of the UCITS IV tools. "I feel like they still want a human face on the ground in every country. Rationally, they understand a centralised structure, but emotionally they want direct contact."

With cross-border fund managers and their distribution partners continuing to brace against stiff headwinds in Europe, mutual funds seeing stiff competition from bank deposits, and asset managers on the prowl for new markets, cross border distribution is becoming increasingly resource intensive.

The UCITS IV "tool kit" promised solutions for streamlining distribution across borders and facilitating scale, but many fund managers are still working out the kinks before they give tools such as master feeder structures, management company passports and cross border mergers the go-ahead.

Master feeder structures allow the pooling of assets from a number of investment vehicles into one master fund, passports allow the remote management of UCITS funds, and cross-border mergers allow two UCITS funds to be merged into larger funds.

"I've noticed constraints on asset managers' abilities to distribute funds. Within constraints, we tried to bring out how UCITS IV could help distribution. But how much of UCITS has been realised? There is an awful lot of work still to come. We surveyed 60 asset managers across 20 markets, and found that their main challenges seemed to be increasing complexity, product marketing and cost," said Johnson.

He predicted an increase in new UCITS tool structures, asserting that he expects a great interest firstly in master-feeder structures, citing the survey's findings that 51 percent expect to be using them in three years time, due to KIIDs and a speed to market. The structures allow for the pooling of assets from the number of investment vehicles into one master fund, reducing operational costs and gaining economies of scale.

But he underlined the fact that tax market harmonisation is not in the pipeline, so master-feeder structures are unlikely to be globally adopted any time soon. Marc Saluzzi of ALFI added that in his experience, France is the country most taken with the structure.

Johnson, while also seeing a slight increase in cross-border companies, again asserted that in the case of management passports, tax harmony is so far off that global passports remained a no-go.

Passports will also prove to difficult to take up due to asset managers needing to have a physical presence in national markets for sales purposes, with many of those surveyed declaring that a human face on the ground was essential for business.

The second half of the survey focused on the choice of domicile for these sorts of structures, with Luxembourg being 62 percent of the respondees' finance centre of choice. Ireland grew slightly in popularity, from 17 to 19 percent, and the Cayman Islands continued to appeal to specialised alternative funds.

Johnson talked of some anomalies in the survey findings, particularly the finding that expansion is strongest with managers of assets under €50 million, which he described as "counter-intuitive". The smaller asset managers that were surveyed also highlighted the cost of cross-border mergers as an obstacle to their implementation of UCITs tools.

"If the findings are correct, we will continue to see boutique and specialist managers in the market. A small manager is a better mousetrap, and there's something of the David and Goliath going on," commented Johnson. "Possibly, they see an introduction of tools that will allow them to offer specialist expertise without having to put an office in every market."

Finally, Saluzzi stated that Luxembourg was trying to keep up its pristine reputation by focusing on responsible investing, citing micro-finance and carbon funds as two of the ventures that Luxembourg was keen to sink its teeth into. "We want to branch out from where we are now: as a funds centre solely—to become a fund servicing centre, which is much more interesting." AST

Not all that glitters is gold

Can the numerous growth initiatives in Malaysia paper over the cracks? AST finds out

GEORGINA LAVERS REPORTS

A lone tree stands in a Malaysian plantation, but it is soon to be stripped down for palm oil, as many have before it. To some, the image is a celebration of the country's large natural resources, which have held up its economy in wilting global markets. To others, it's a bleak picture that illustrates the destruction of forests that house exotic wildlife such as pygmy elephants or the orangutan. Such is the paradox of the country; gains are possible, but not without losses, and it is not just oil exports that are illustrating this.

To a casual observer, it would seem that Malaysia is going from strength to strength. In Q2 2012, there was economic growth of 5.4 percent, the Asian Development Bank this month raised its Malaysian gross domestic product growth estimate for the full year to 4.6 percent, from 4 percent—and that's despite cutting its overall forecast for developing Asia—and the stock market is at record highs, as bankers are lured to Kuala Lumpur in hopes of cashing in on a big-ticket initial public offering. Felda, a state-controlled palm oil producer, was the second-largest IPO after Facebook when it raised more than $2 billion in June.

Huge government spending on infrastructure has increased optimism. A $28 billion port, tourism and industrial complex, Iskandar, could reshape the regional economy (and further dismay ecologists) by cutting through swathes of forest to create a compound that is three times the size of Singapore.

Malaysia's prime minister, Najib Razak, also cut the ribbon for a future financial centre site in Kuala Lumpur, which is a part of an economic transformational programme to boost citizen income.

But, behind the ribbon cutting ceremonies and growth initatives, is a structural fiscal deficit that promises to distract from the country's success story so far. The price of palm oil has been volatile, dropping over concerns about oversupply, and at 52.6 percent of gross domestic product, the deficit is the highest in Asia after India and Pakistan.

The provisions of the 2012 Malaysia budget, which was announced in October 2011, came into effect, but not all the proposals were passed.

The much hoped-for reduction in either the individual or corporate tax rate did not materialise, and the goods and services tax that had its first parliamentary reading in December 2009 was also not addressed in the 2012 budget, leaving the date for its introduction uncertain.

Custody is a financial sector that is keen to flaunt progress, but has shown cracks in recent years.

In November 2011, two Bahrain-based financial institutions, Elaf Bank and Ohad Trust, formed a joint venture to administrate funds and provide custody in Malaysia in an effort to access opportunities in Southeast Asia and the Islamic investment funds market.

The joint venture, which was granted a trust licence by the Labuan Financial Services Authorities, brought together Elaf Bank and fund administration, custodian and trust services provider Ohad Trust, to form Ohad Labuan. Both parties hoped to work on trust, foundations, fund administration, registrar and custody assignments in the country.

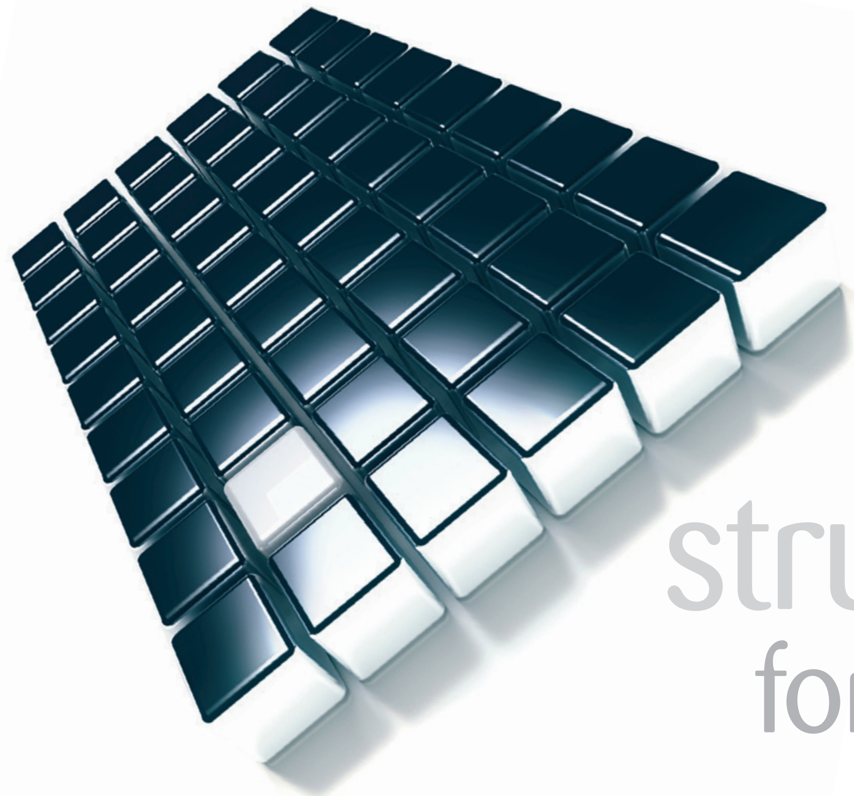
At the time, Jamil El Jaroudi, chief executive of Elaf Bank, said that the bank was actively sourcing and developing business in Bahrain and Malaysia, stating that having a branch office in Malaysia "has opened more doors for the bank".

Due to Ohad Trust's claims as the first licensed trustee in the Middle East, chief executive Stefan Cnoops added that he believed that Ohad Labuan could gain significant trust-related work, particular in relation to sukuk, a type of Islamic bond.

In June 2011, Elaf Bank was granted a licence by Malaysia's ministry of finance to open a branch office in the country. Since then, the project has stalled. "Our project has been delayed slightly, as our joint venture partner Elaf Bank is currently merging with two other Islamic banks in Bahrain," said Knoops. "As a consequence, their efforts to develop their activity in Malaysia has suffered a bit, and is to start again from early 2013 onwards."

"Our objectives remain identical, but the timeframe has been pushed back slightly. Ohad Trust (Labuan) Bhd, the JV company, is established, remains of course in good standing and we are very hopeful the delay encountered will not alter our plans."

It appears that this was one Malaysian project that—despite the best intensions—failed to get off the ground. But with a thriving stock exchange, a flourishing business district, and dozens of domestic and foreign banks, including Maybank, CIMB, UOB Malaysia, HSBC, Standard Chartered, Deutsche Bank and UBS, providing sub-custody or custody, the country looks well placed to take care of assets. **AST**



structured for success

Exceptional Growth for Malta's Fund Industry

The number of collective investment schemes increased from 200 in 2006 to 519 in June 2011.

This success was made possible by Malta's highly favourable business environment. This includes the role played by the island's Single Regulator, renowned throughout the industry for its flexibility coupled with meticulous attention to detail.

The island's highly competitive, cost-effective business environment and the presence of all the Big Four accounting firms adds even further advantage.

An onshore EU jurisdiction allowing passporting and redomiciliation of funds, with an efficient fiscal regime, a balmy Mediterranean climate and a multilingual, ethical and professional workforce, Malta offers a winning combination of advantages specifically designed to foster further growth and maximise success.

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FinanceMalta is the public-private initiative set up to promote Malta's International Financial Centre

Singing from the same hymn sheet

A lack of communications standards across the globe is the main talking point in corporate actions. Industry experts tell AST what must be done to address the problem

How close are we to the universal adoption of industry standards for communication between all participants in the corporate actions chain?

Michael Brady
Commercial manager
Asset Servicing Times

The Securities Market Group has done some great work over the past few years on message standards—taking the lead in demonstrating the dramatic improvements that can come from adopting message standards in corporate actions processing.

Alan Jones
Product manager
SmartStream Technologies

We've made some progress, but there is still more work to be done. Most of the downstream participants—depositories, custodians, brokers and investors (to a certain degree)—have automated their corporate actions processes and are looking to enhance or upgrade their systems and processes.

The lack of consistency and standardisation with the upstream communication—issuer, issuer agent, exchange and regulator—almost negates much of the work that has been done at the downstream communication level. If data gets manipulated incorrectly ahead of it getting to the depositories and custodians, it keeps the process fraught with problems. Accuracy of data is of tremendous importance and service providers also want as much information as early as possible.

Having said that, a big win for the downstream communications will be the automation of the election process with the depository (eg, DTCC in the US). By automating the corporate actions election process, It will lower costs significantly, as well as the risks.

Malene McMahon
Senior business manager for securities Americas
SWIFT

While the industry is as close as it has ever been to developing and adopting a global standard, there is still a long way to go. Until there is either an incentive or a regulatory mandate for issuers to send communications via an electronic, metadata-tagged format, or in a globally-accepted standard, the process will still require the cleansing and normalisation of messages. You can build all of the logic that you want into a standard, but if that standard is not followed at the source level, nothing will really change.

The results of the Depository Trust & Clearing Corporation's (DTCC's) XBRL project for American depository receipts (ADRs) may be considered a test case for having all issuers in a market subscribe to a standard taxonomy. The development, implementation and execution should prove interesting. The success of this initiative will influence other global markets in considering future adoption.

Gerard Bermingham
Senior vice president of business strategy
Information Mosaic

We are as far away as ever. There are far too many industry groups and committees that slow the process of change down. There are lots of vested interests in the data vendor industry and within financial markets that earn vast amounts of profit from the inefficiencies that are allowed to exist. Global industry standards must be created by a group of 20 or so government bodies, which can outline the need to change and adopt standards in all markets, with severe penalties for non-compliance.

In saying this, I don't like this regulatory compliance approach. I would much rather see the securities industry introducing change for the benefits of the consumer/investor, and ultimately the markets as a whole. It's just that I have far too much experience of how the markets have become dysfunctional to believe that they can do what's right. We live in hope though, and should not give up the fight.

Gary Wright
CEO
B.I.S.S Research

It's difficult to forecast a timeline for adoption of communication standards, but universal adoption will likely be many years in the future. Not only do local market regulation and infrastructures make universal standards difficult to achieve, all participants in the chain often have competing priorities relative to the level of investment that is needed to achieve universal adoption. One of the best examples is with an investment fund or client that utilises a third-party money manager to manage a portion of its assets. If that money manager has outstanding investment returns but is communicating via facsimile, there is very little incentive for that client to push the money manager to make the necessary technology and infrastructure investments that would be required to adopt any universal standards. While various participants in the chain can incent or dis-incent its own clients, it is difficult to get all participants to have the same priorities with a limited pool of resources—both capital and human.

The introduction of ISO 15022 has made a huge impact and continues to do so. ISO 15022 is now widely used to achieve a large degree of automation, and for some, almost entire automation. For some events though, ISO 15022 corporate actions messages provide only rudimentary capability.

The future of corporate actions messaging lies with ISO 20022, and the ultimate aim is to replace the ISO 15022 messages with new ISO 20022 messages. To this end, ISO 15022 corporate actions messages have been reverse engineered to create ISO 20022 messages that will contain at a minimum equivalent business functionality. The new ISO 20022 messages are designed to accommodate the unique data requirements of complex events such as proxy voting.

Many organisations have only recently adopted or are still to adopt the ISO 15022 standards, and with the cost and strain on already depleted resources that these types of projects bring, we may still be some way from universal adoption.

There are some great initiatives with the corporate actions industry and progress is absolutely being made as data standards mature and the processing solutions that are available in the market now look at value-add features as differentiators considering core event processing as standard. Improving data standards and their adoption is fundamental to automation and the holy grail of STP.

Marty Kruse
Managing director of global corporate actions
BNY Mellon Asset Servicing

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Back in the game

Market developments and a host of major regulatory initiatives are forcing the arcane world of reference data into the spotlight, as Sol Zlotchenko of Paladyne Systems explains

Reference data drives all investment firms' activities. As management consulting, technology services and outsourcing company Accenture points out in Managing Data for High Performance in Capital Markets, accurate reference and market data are essential for effective investment decisions, trade execution, securities pricing, portfolio valuation and measurement, risk management and regulatory compliance.

Yet a combination of market globalisation, the growing interconnectedness and complexity of industry participants, a surge in data volumes that are spurred by electronic trading strategies, and the introduction of a medley of onerous regulatory requirements mean reference data management has become more challenging and essential.

Focus on disclosure

Regulatory developments place a particular pressure on reference data management. In a bid to reduce systemic risk and increase transparency, policymakers and regulators are enacting a series of regulations that will impose enhanced disclosure responsibilities on investment management organisations. They include:

- Form PF—phased in from June 2012—requires US SEC-registered investment advisers to report an unprecedented array of portfolio, risk, collateral and performance data to the regulator on a quarterly or annual basis (depending on the fund's size).
- US Dodd-Frank Act—implementation phased through 2012 and beyond—introduces sweeping reforms that include mandating most hedge fund and private equity managers to register with the US SEC and report on their trades and portfolios, as well as requirement that all OTC derivative transactions be reported to trade repositories.
- European Market Infrastructure Regulation (EMIR)—due to come into force by end of 2012—à la Dodd-Frank, eligible standardised OTC derivative contracts will have to be cleared through a central counterparty, with all cleared and non-cleared trades to be reported to authorised trade repositories. Similar rules are also being introduced in other jurisdictions, including Japan, Australia, Singapore and Hong Kong.
- Markets in Financial Instruments Directive/ Regulation (MiFID II/MiFIR)—bulk of the revisions not expected until at least 2015—

- changes include extending the original transaction reporting requirement to all financial instruments that are traded on a regulated venue. Firms will have to capture a broad array of data, and report it accurately and within the stipulated timeframes.
- Alternative Investment Fund Managers (AIFM) Directive—to be transposed by EU countries into national law by July 2013—includes provisions requiring funds to provide supervisors with regular reports detailing their trading activities and exposures.
- Foreign Account Tax Compliance Act (FATCA)—staggered implementation from 2013 to 2017—to comply, firms will need to obtain and maintain additional client data, identify and withhold tax on payments to people/entities contravening the regime, and calculate and report the proportion of assets that generate US source income (the 'passthru percentage').

More than compliance

Complying with the stringent disclosure rules that are included in each regulation will entail firms providing more, better and timelier information on their activities and positions. Incomplete, incorrect or late reports bring the risk of regulatory censure and fines, so ensuring that the data used is accurate and easily accessible is critical. And given many market participants will be subject to multiple regulations, the reference data impact becomes even more pressing.

At a minimum, firms have a financial and reputational incentive for avoiding the penalties that result from non-compliance. But adopting a strategic approach to the capture, cleansing and maintenance of data can bring far greater rewards, by lowering the enterprise's data acquisition and administration costs, and streamlining data flows to mitigate operational risk.

> Adopting a strategic approach to the capture, cleansing and maintenance of data can bring far greater rewards

At the same time, a holistic view of their market activities can help investment managers to improve their business processes and decision-making, generate better risk-adjusted returns, optimise their product offerings and attract new clients.

Investor demands are another crucial driving force. While many institutional investors are upping allocations to alternative investment managers, these organisations are also increasingly focused on managing risk and enhancing performance in this challenging economic environment. The result is an inexorable call by investors for high-quality, detailed and timely information on their assets.

Data repository imperative

For many firms, especially those with cross-border and cross-asset class activities, the data that they need to meet their regulatory and investor reporting responsibilities will be dispersed across discrete business unit silos and/or housed in multiple (often legacy) systems. As a result, it can be difficult to extract the requisite data on demand, and ensure it is consistent and comprehensive.

By contrast, a centralised reference data repository allows security terms and conditions, corporate actions, and pricing and valuation data to be easily collated, cleansed, maintained and accessed on an enterprise-wide basis, providing fund managers with up-to-date and accurate information that they can use to calculate their risks and exposures.

Attributes of a robust data repository include:

- Support for a full sweep of global listed and OTC security types
- Integration with industry-leading market data providers to automate the data feeds
- Rules-based arbitration between data sources to create a single 'golden copy' database
- Ability to collect unstructured pricing quotes from different providers
- Data validation tools to track and monitor incomplete or inaccurate data
- Ability to automatically solicit brokers to price illiquid instruments that have not been priced for a specified period
- Real-time corporate action notifications
- Flexibility for users to design their own data governance workflows to facilitate compliance, four-eyes validation techniques, entitlement and data quality
- Complete audit trail of all historical prices, valuation rules and pricing sources
- Seamless integration with downstream accounting, trading, risk and reporting applications to automate data distribution and synchronisation across the enterprise.

The cost, risk and compliance benefits that an effective central data repository affords are too great to ignore, especially in this evolving regulatory and market environment.

Cost pressures

Yet despite the multifaceted benefits to be garnered on the back of data management improvements, the expense that is involved in developing and maintaining a sophisticated data infrastructure will give many organisations pause for thought. Years of difficult market conditions—and an uncertain outlook—mean investment managers, banks and brokers face shrinking revenues and margins, and escalating pressure to cut costs and rethink operating models. As a result, many in the industry are considering alternative ways to address the data management question.

One option is to leverage an independent managed reference data solution. By outsourcing the task to a third-party service provider with the requisite expertise and economies of scale, market participants are able to streamline their operations, and reduce their data infrastructure and maintenance costs. In addition, they gain the comfort of knowing their investors and regulators will receive properly cleansed and complete data at the time it is required.

But whatever strategy market participants pursue, the end result must be an effective and efficient data management capability. The current climate demands no less. **AST**

Reference data checklist

- Centralised data repository allows for easy collation, cleansing, maintenance and extraction of reference data on an enterprise-wide basis
- Facilitates compliance with onerous regulatory reporting requirements
- Meet growing investor demands for high-quality, detailed and timely information on their assets
- Strategic data approach can help reduce operating costs, mitigate risk, improve business processes and decision-making, and attract new clients.

Sol Zlotchenko
Vice president of product management
Paladyne Systems

Industry appointments

Chairman of the board of directors of SIX, **Peter Gomez** will be stepping down from his current position.

Alexandre Zeller, current CEO at HSBC Private Bank, Switzerland, will be taking over the role.

Gomez will retire from his role at the general meeting of shareholders at the end of May 2013.

Gomez said: "After seven years at the helm of the financial centre infrastructure, this is exactly the right time for me to step aside. SIX today occupies a strong competitive position internationally.

"The merger was successfully implemented, and a strategy for the future has been mapped out. These are solid foundations for the successful further development of SIX. However, until the reins are handed over next May, my full commitment will continue to be required."

Trading and clearing venue provider Cinnober Financial Technology has hired **Michael Grecoff** as head of sales for its recently launched trade monitoring service, Scila Compliance.

Scila Compliance is an independent multi-asset monitoring and trade surveillance system that was launched in May, aimed at investment banks and brokerages.

Before joining Cinnober, Grecoff was head of sales for SMARTS Broker products in Asia for Nasdaq OMX. He has managed the surveillance team at the Autorité des marches financiers in Quebec and the surveillance team for the regulatory authority of Canada's TSX Venture exchange.

"It will be very exciting to take on and develop the Scila brand in market surveillance," says Grecoff. "As well being initiated in the technology industry, I have had good opportunities to study Cinnober's success with Scila Surveillance. So receiving the opportunity to be a part of the successful Scila concept felt like a natural step to take."

Veronica Augustsson, head of sales for Cinnober, said: "I feel very pleased with the recruitment, as I think it will be an excellent solution for Cinnober and the development of the Scila brand. With his nearly 20 years of experience at various levels in the securities industry, including compliance and market regulation, Grecoff has the industry knowledge necessary to take this concept to the next level."

Scoach, the European trading platform for structured products, has chosen **Simone Kahnt-Eckner** to replacing **Marco Steeg** as CFO and COO of Scoach Schweiz, a joint venture between SIX Group and Deutsche Börse, from 1 November 2012.

After three years at Scoach Schweiz, Steeg is returning to Deutsche Börse to lead controlling and billing, also from November 1 2012.

Kahnt-Eckner previously worked in Deutsche Börse's Xetra cash market, having been with the company since 1989.

"We thank Steeg for his hard work in developing Scoach," said Christian Katz, CEO of SIX Swiss Exchange and member of the Scoach Supervisory Board.

"Together with CEO Christian Reuss, Kahnt-Eckner will further the development of a new trading and settlement platform for the Swiss market and the company's internationalisation."

Fund administrator Kaufman Rossin Fund Services (KRFS) has hired **Mike Kennedy** to lead the continued expansion of its San Francisco office.

In his new role, Kennedy will head up the West Coast office, dealing with onshore and offshore fund administration.

Prior to this appointment, Kennedy was vice president at Cantor Fitzgerald.

KRFS co-founder and director Keith Sharkey said: "This is a very exciting time in our firm. The industry continues to demand increased services and integrated solutions from fund administrators and KRFS continues to set the pace. Kennedy's extensive experience compliments our distinctive approach of exceeding our clients' expectations." **AST**

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