AST ASSETSERVICINGTIMES

ISSUE090
WEDNESDAY
28.05.2014
assetservicingtimes.com

Distribution potential
Fund passports to hit Asia

Panel discussion
European fund admin to get busy

Network management
Custodians in Europe assemble

Retail funds
UK sees retail fund uptick

The proven, secure and robust technology
for network management teams

myriad

Contact Rupert Booth or Simon Shepherd on +44 20 3470 0320
MYRIAD Group Technologies Ltd, 64-65 London Wall, London, EC2M 5TU, UK

www.myriadgt.com

ATLANTIC
FUND SERVICES

REALISE EVERY ADVANTAGE.

STARTING A FUND?

Atlantic has a proven process for helping asset managers launch new funds. However, it's our consultative approach that provides the real advantage. We work with you to identify the unique aspects of your fund and provide the guidance you need to make strategic, cost-effective decisions.

SOLUTIONS:

- Mutual Funds and Series Trusts
- Alternative Investments
- Pension and Investment Funds
- UCITS and SIFs
- ETFs

SERVICES:

- Fund Start-Up Services
- Administration and Accounting
- Transfer Agency and Investor Servicing
- Compliance
- Distribution

atlanticfundservices.eu

U.K.
JULIAN NAYLOR
j.naylor@atlanticfundservices.eu
+44 (0)20 3440 7440

LUXEMBOURG
PATRICK HUTCHINES
p.hutchines@atlanticfundservices.eu
+352 26 49 3770

U.S. | 207 347 2000 | info@atlanticfundservices.com

Credit Suisse to pay for offshore tax evasion

Credit Suisse has admitted that it helped American citizens to evade paying US tax by placing money in Swiss accounts.

The bank has agreed to pay $2.815 million in settlements, a $1.8 billion fine and $670 million in restitution to the US Internal Revenue Service (IRS).

The bank's settlement comprises of $2 million for the Department of Justice, one third of which is allocated to the Internal Revenue Service.

The New York State Department of Financial Services will receive $715 million and $100 million will go to the Federal Reserve.

Kathryn Keneally, the assistant general attorney for the tax division of the Department of Justice, said: "We are committed to using all enforcement tools against those who seek to avoid their legal obligations, by hiding their assets in foreign bank accounts."

"We appreciate that Credit Suisse has taken this significant step to accept the consequences of these acts and that Credit Suisse has ceased this conduct, and has changed its business operations to ensure that US taxpayers will no longer be able to hide their assets at Credit Suisse," added Keneally.

Following a probe by the Department of Justice, Credit Suisse pleaded guilty to one count of conspiracy to aid US customers with submitting false tax returns to the IRS to protect offshore Swiss accounts.

It also failed to preserve documents for the Department of Justice's investigation.

Credit Suisse has agreed to work with the Department of Justice and will supply it with any required information.

Brady Dougan, CEO of Credit Suisse, said: "We deeply regret the past misconduct that led to this settlement. Having this matter fully resolved is an important step forward for us."

The Foreign Account Tax Compliance Act (FATCA) is due to come into effect from 1 July. Once it is in force, every US citizen with $50,000 of assets or more must declare their activity in both offshore and onshore accounts to US tax authorities.

Faster settlement coming for international securities

Operators of European securities markets will implement the migration to T+2 from T+3 for cash transactions and to T+1 from T+2 for repo transactions.

Central securities depository (CSD) regulations state that the migration should not apply to transactions that are privately negotiated and executed on a trading venue, or transactions that are executed bilaterally but are reported to a trading venue.

Transactions on the International Capital Market Association (ICMA) market are out of the scope of CSD regulations, as they are transactions in international securities.

ICMA will change the standard settlement cycle from T+3 to T+2, unless otherwise agreed, to allow for the orderly trading of all fixed income securities traded under ICMA rules.

All of the proposed changes are to take effect from 6 October 2014.

Interactive Data expands services to include Asia Pacific

Interactive Data Corporation has added coverage of sovereign and corporate bonds issued in the Asia Pacific its NY Close International Fixed Income Evaluation Services.

The firm recently launched NY Close European, Middle-Eastern and African (EMEA) fixed income evaluations.

Rob Haddad, senior director of evaluated services for Interactive Data, said: "The addition of Asia-Pacific fixed income securities is a direct response to client needs."

"The fixed income markets are far from static, and our ability to help our clients meet their regulatory requirements and fiduciary responsibilities by providing key inputs to value their global multi-asset portfolios specifically at the 16:00 ET New York market close, is a tremendous value-add."

Alter Domus buys Irish firm O' Donovan Stewart

Alter Domus has acquired O' Donovan Stewart Corporate Services in Ireland.

All O' Donovan Stewart employees will join Alter Domus as part of the acquisition.

The founding director of O' Donovan Stewart, Peter Stewart, will serve as the independent executive director of the new combined business, Alter Domus Limited.

O' Donovan Stewart provides corporate services to a portfolio of client companies. It currently acts for clients in the US, South Africa, Europe and Asia.

Laurent Vanderweyen, CEO of Alter Domus, said "This acquisition significantly strengthens our position in Ireland with regards to both our existing and future clients."

"Having worked closely with the team at ODS in partnership over the last 18 months, we are delighted to now count them as colleagues

ASTINBRIEF

ASSETSERVICINGTIMES

Editor: Mark Dugdale
markdugdale@assetservicingtimes.com
Tel: +44 (0)20 8663 9620

Reporter: Stephen Durham
stephendurham@assetservicingtimes.com
Tel: +44 (0)20 8663 9622

Editorial assistant: Tammy Facey
tammyfacey@blackknightmedialtd.com
Tel: +44 (0)20 8663 9649

Account manager: Serena Franklin
serenafranklin@assetservicingtimes.com
Tel: +44 (0)20 8663 9626

Publisher: Justin Lawson
justinlawson@assetservicingtimes.com
Tel: +44 (0)20 8663 9628

Marketing director: Steven Lafferty
design@securitieslendingtimes.com

Published by Black Knight Media Ltd
Provident House, 6-20 Burrell Row,
Beckenham, BR3 1AT, UK

Copyright © 2014 Black Knight Media Ltd.
All rights reserved.

as we continue to expand our operations in Ireland," added Alan Dundon, chief marketing officer of Alter Domus.

Major merger for Vastardis Capital and Conifer Group

Vastardis Capital and Conifer Group will merge to become one of the largest global fund administrators.

Vastardis and Conifer have signed a merger to create one of the largest fund administration businesses, which will place Credit Suisse and UBS in the pool for Securities and Exchange Commission-registered managers.

The deal will enable the firm to provide hedge fund services and funds of hedge funds, endowments, foundations, private equity and venture capital.

The new company will also will provide portfolio accounting, reporting, tax and investor services as trade execution, prime brokerage and technology services.

Once combined, the firm will reportedly have gross hedge fund assets totalling $47.1 billion.

The merged company will be based in San Francisco under Conifer Financial Services.

Jack McDonald, chief executive of Conifer, will become president of the new company, while William Vastardis will serve as chairman.

Depository receipts could boost foreign investment

India's review of depository receipts could open the door to increased foreign investment, according to recommendations in the MS Sahoo Committee report.

The report recommends allowing over-the-counter (OTC) non-capital-raising American depository receipt (ADR) programmes on any kind of securities, not only equity.

Neil Atkinson, Asia-Pacific head of depository receipts at BNY Mellon, discussed the case for depository receipts and why he believes this is positive news both for India and those investing in Indian securities.

Atkinson said: "The MS Sahoo Committee's ground-breaking recommendations are terrific news for India and the global investment community. The introduction of the new scheme for depository receipts will provide global investors with convenient access to Indian companies, who in turn can attract foreign investment through this flexible and cost-efficient securities product."

"In permitting OTC non-capital-raising depository receipts, India would join more than 60 countries worldwide whose companies have established non-capital raising depository receipt programmes programs for secondary market investors."

The MS Sahoo report highlighted the fact that current regulatory constraints are inhibiting foreign investment in India. It is thought that greater access to depository receipts may meet some of the demand that is not currently being satisfied.

Atkinson continued: "While depository receipts remain a valuable source of capital-raising from overseas investors, today they are much more than that. Depository receipts play an essential role in cross-border trading and are a preferred instrument for companies listing their shares on global markets and for investors seeking international portfolio diversification."

"Not only do they broaden and diversify the range of investors who participate in capital markets, but adding a depository receipts programme can also provide greater visibility for issuers."

Atlantic Fund Services enters Austria

Atlantic Fund Services has launched services for funds in Austria.

It is the third market that Atlantic has entered since January.

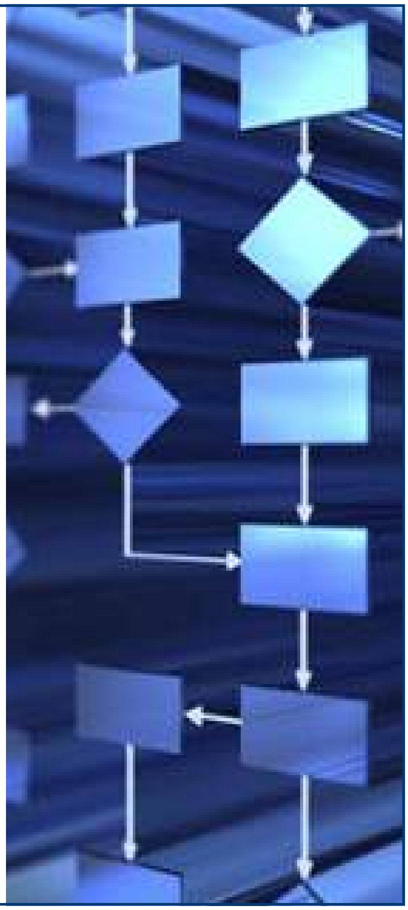
Hornby Chapman

Specialists in asset servicing recruitment

If you're a senior asset servicing professional and are interested in progressing your career then please call either;

Liz Cleary in Singapore on +65 9488 9940 / email liz@hornbychapman.com
or Paul Chapman in London on +44 207 643 2298 or+44 775 374 8397
email paul@hornbychapman.com

www. hornbychapman.com I No.1 Poultry London EC2R 8JR



Global Transfer Agency Solutions for the Asset Management Industry

The Riva Advantage

In an increasingly global transfer agency environment, the ability to offer a single TA solution capable of servicing multiple jurisdictions and product types across the globe has become a primary requirement.

Riva offers a comprehensive transfer agency solution that supports multiple locations, jurisdictions and investment products on a single platform with a low total cost of ownership.

Riva • Financial Systems ®

For further information please visit our website **www.rivafs.com** or call us on **+44 (0) 1624 850140** and learn more about Riva TA.

Atlantic is offering the Austrian market systems and applications for investment funds.

The fund administrator is also working with CAIAC and its Austrian distributor, Ertag & Sicherheit, focusing on Atlantic's global transfer agency system, which processes investor data and fund transactions.

The transfer agency system allows clients to customise the software to their needs.

Roman Lewszyk, CEO of Atlantic Fund Service operations in Europe, said: "Not long ago we were present only in Poland and the US, we are now in seven markets."

Atlantic also offers its services in Luxembourg, the US, the Czech Republic, Slovakia, Liechtenstein and Poland.

"We are already thinking about new markets in which we will offer our services," added Lewszyk.

National Settlement Depository has Deutsche Bank on board

Deutsche Bank Trust Company Americas is now connected to Russia's National Settlement Depository (NSD) as a US dollar cash settlement bank for delivery versus payment (DVP).

The addition of Deutsche Bank Trust Company Americas to the settlement structure means clients of the NSD can conduct DVP transactions with the use of cash accounts, opened with either Citibank New York, J.P. Morgan & Co New York, or Deutsche Bank Trust Company Americas.

The NSD also provides DVP settlement services in roubles and US dollars via cash accounts opened with the NSD.

Maria Ivanova, vice president of NSD, said: "Cooperation with Deutsche Bank Trust Company Americas shall facilitate settlement processes for our clients when making transactions with the Russian securities."

"DVP settlement service is one of the key services offered by the NSD, with good dynamics. Effectively, in Q4 2013 the number of transactions conducted on DVP basis grew by 89 percent as compared with Q1 2013."

Ekaterina Kalinina, director and head direct securities services at Deutsche Bank Russia, added: "The launch of the USD DVP settlement service strengthens Deutsche Bank's position as a leading custodian servicing cross-border investors in Russia, opening a great opportunity for clients."

NSD is a part of the Moscow Exchange Group and is the central securities depository of Russia.

BNP Paribas adds new markets to Collateral Highway

BNP Paribas Securities Services has extended its partnership with Euroclear Bank's Collateral Highway to include four new markets.

The triparty collateral management service has been extended beyond Italy and Spain to Belgium, France, Germany and the Netherlands.

Frederic Hannequart, chairman of Euroclear Bank, said: "Our partnership is part of the on-going extension of the Collateral Highway to more markets globally. The technology used allows for the automatic mobilisation of both fixed income and equities collateral at a lower cost than other cross-border triparty collateral providers."

"The partnership will enable mutual sell-side clients to manage equities and fixed-income securities collateral held at both BNP Paribas and Euroclear in each domestic market."

Alain Pochet, head of clearing, custody and settlement at BNP Paribas Securities Services, added: "Our Collateral Access - Connect service is part of our wider Collateral Access suite of products and services, which helps our clients source securities and maximise the use of their assets."

ACCELUS CLIENT ON-BOARDING

OVERCOME CHALLENGES

Integrating the best-in-class GoldTier product with the Accelus suite of solutions – including World-Check Risk Intelligence – Accelus Client On-Boarding solution facilitates successful, compliant client on-boarding and on-going due diligence.

- Client prospect to transaction
- Automated processes
- Incorporates over a decade of industry experience
- Satisfy demands for CIP, KYC, AML, FATCA, CFT and PEP due diligence
- Tried and tested, purpose built application

THOMSON REUTERS ACCELUS™

THOMSON REUTERS™

© 2014 Thomson Reuters GRC00980/3-14

- **SLIB Order & Trade**
  Dispatch your orders on the flow
- **SLIB Clearing & Settlement**
  Deliver your securities everywhere in the world
- **SLIB Position Keeping**
  Safekeep your resources in a changing landscape
- **SLIB Voting**
  Exchange easily with your investors
- **SLIB Risk**
  Monitor the risks related to your business

Always in line with the latest changes in the European securities landscape, SLIB is a leading securities software solutions provider and a trusted partner to the financial services industry.

SLIB provides more than 50 financial institutions, with innovative software solutions to streamline their securities processing and improve their performance, whilst mitigating their risks.

The SLIB solutions support securities order and trade, clearing, settlement, custody, risk and electronic voting at general meetings.

> Interested?

Contact us at sales.contact@slib.com
Follow us on Twitter: @SLIB_sa and LinkedIn: SLIB

www.slib.com

BNP Paribas joined the Collateral Highway of Euroclear in March 2013.

The Collateral Highway links commercial and investment banks, supranationals, central banks, central counterparties and other capital market infrastructure providers across time zones and markets.

It mobilised an average of €787 billion of collateralised transactions daily in 2013, a 12 percent increase year-on-year.

SunGard launches Hedge360 risk reporting service

SunGard has released its new Hedge360 risk reporting service, which provides macro-scenario analysis and stress testing, so hedge funds can build the credibility required to raise assets and grow.

SunGard's new service has been created to meet investment demand for due diligence and higher quality risk management strategies.

The software gives hedge funds increased monitoring and management of multi asset classes, data and modelling of assets.

Hedge360 also identifies potential risks in a hedge funds portfolio so distinction and comparisons can be made between different sources of a risk with a fund's strategy.

Lawrence Wormald, head of buy-side research of SunGard, said: "Hedge360 Risk Reporting Service offers firms an independent view of risk while at the same time helps increase operational efficiency through its streamlined reporting."

BNP Paribas offers new depository service

BNP Paribas has launched an Alternative Investment Fund Managers Directive (AIFMD) banking service, aimed at asset managers distributing non-European investment funds into Europe.

The bank's service will provide cash monitoring of assets for clients that fall under the hedge fund, private equity and real estate umbrella.

Arnaud Claudon, head of depository and fiduciary services at BNP Paribas, said: "This offering is a subset of our full depositary service, enabling clients to benefit from our expertise in each asset class."

AIFMD sets out a number of regulatory requirements, which need to be met by alternative investment funds marketed in the European economic area.

SunGard identifies trends in managed services

SunGard has identified four trends that it claims will aid the growing adoption of managed services over the next 12 to 18 months.

The research has suggested that multi-system environments and siloed infrastructures can slow innovation and market strategies for new products and geographies.

This can drive investment in trusted vendors and provide a reduction in the total cost of ownership, driving firms to migrate core and core and non-core operations to trusted third-party managed services to help control costs.

To mitigate operational risk and inefficiencies and optimise system uptime and processing reliability, SunGard has recommended that firms should adopt a combination of software deployment paired with business process outsourcing, or an outsourced business process as a service platform from providers with deep domain and industry expertise.

SunGard identified tighter vendor management as being key to financial institutions as they deploy more managed services.

As firms continue to outsource more of their operations, they can increasingly rationalise the number of strategic vendor partnerships to create a cohesive network of trusted partners.

"By 2016, approximately 50 percent of financial institutions will use managed services to outsource the management of their IT infrastructures. This model will become more mainstream in helping firms address the challenges in our industry," said Larry Tabb, CEO of SunGard.

Steven Silberstein, chief technology officer, added: "Many firms will underpin business strategies with managed services models to help address the complex and wide ranging challenges facing the industry."

Clearstream improves again

Clearstream have surpassed its 2013 custody results by posting increases for the year ending April 2014.

Clearstream's overall value of assets under custody held on behalf of customers registered an increase of 5 percent to €12.1 trillion, compared to €11.6 trillion in April 2013.

Securities held under custody in Clearstream's international business as international central securities depository (ICSD) increased by 4 percent from €6.1 trillion in April 2013 to €6.4 trillion in April 2014.

Securities held under custody in the German central securities depository (CSD) increased by 5 percent from €5.4 trillion in April 2013 to €5.7 trillion in April 2014.

For the period year-to-date April 2014, the number of settlement transactions (OTC and stock exchange combined) processed for the German domestic CSD and global ICSD business combined increased by 7 percent compared to the same period in 2013.

The investment funds services business contributed to this growth in the ICSD business as its corresponding transactions registered a 13 percent increase.

For global securities financing (GSF) services, the monthly average outstanding in April 2014 reached €589.8 billion. The combined services, which include triparty repo, securities lending and collateral management, collectively experienced an increase of 1 percent over April 2013 to €583.8 billion.

The GSF monthly average outstanding has also seen growth by 3 percent from the period year-to-date April 2013 (€568 billion) to the period year-to-date April 2014 (€582.5 billion).

Mixed results for funds in April

Aggregate hedge fund performance was positive in April but equity strategies, which have taken in the vast majority of investor flows in 2014, were negative for the second consecutive month, according to eVestment's April 2014 Hedge Fund Performance Report.

The industry rose 0.16 percent during the month and is up 1.35 percent year-to-date (YTD), on pace for an annualised return of only 4.12 percent for the year.

Equity strategies produced their second consecutive month of aggregate losses in April. Exposure to emerging markets, particularly China and Eastern Europe, were partly to blame for the universe's decline but funds also appeared caught by the sell-off in the biotech and technology sectors.

In the same period, equity losses were concentrated within smaller funds. Funds with over $1 billion in assets under management (AUM) were up 0.28 percent during the month while those focused on the tech sector faced the largest losses, at over 4 percent in April.

After facing a spurt of redemptions following fears of a rising rate environment in mid-2013, credit strategies have benefited from a decline in rate markets since the beginning of 2014.

Credit is the best producing primary market exposure for the hedge fund industry in 2014, ahead of volatility, with returns near 3 percent. The universe of credit strategies also happens to be outperforming the S&P 500 for the year.

Securitised credit and MBS-focused funds in particular are among the best performing strategies in 2014 after another strong month in April. MBS-focused funds were up 1.03 percent during the month and 4.37 percent YTD.

Commodity funds have quietly found themselves among the leaders of the industry in 2014 after good aggregate returns in April. Strong natural gas, grains and metals markets have all helped push returns near 2 percent YTD.

bravura
solutions

Financial software solutions that deliver

Bravura Solutions is a leading global supplier of software solutions for the wealth management, life insurance and transfer agency industries, underpinned by functionally rich technology that enables modernisation, consolidation and simplification.

We are committed to increasing operational and cost efficiency for our clients, enhancing their ability to rapidly innovate and grow, minimising their risk and enabling them to provide better service to their customers.

Backed by over 30 years of experience, our installed or managed hosted solutions are mission critical to some of the world's leading financial institutions. In excess of £1 trillion in assets are entrusted to our systems.

- transfer agency
- financial messaging
- life insurance
- investment
- pensions
- private wealth & portfolio administration

For more about how we can help your business contact us.

info@bravurasolutions.com
@BravuraFinTech
Bravura Solutions

www.bravurasolutions.com

Macro strategies declined again in April and are now down 0.06 percent in 2014. As in March, smaller macro strategies were the primary source of losses in April.

Large macro funds were up 0.36 percent during the month, yet aggregate returns are only slightly positive for the year. Smaller macro strategies are down 0.18 percent in 2014.

J O Hambro and Northern Trust partner for US mutual fund

J O Hambro Capital Management Limited has partnered with Advisers Investment Trust for its US mutual fund products.

The Advisers Investment Trust is a series service provided by Northern Trust in conjunction with Beacon Hill Fund Services.

Northern Trust will provide general back office operations, while Beacon Hill will serve as distributor and govern the funds.

Helen Vaughan, COO at J O Hambro Capital Management, said: "We selected the Advisers Investment Trust because of its focus on superior client service."

"Northern Trust showed the willingness and flexibility to work with us and presented the best solution for our needs that will allow us to grow our business in the US mutual fund arena."

The mandate will also offer J O Hambro Capital Management clients exposure to emerging Asian markets.

Dan Houlihan, head of global fund services in North America at Northern Trust, added: "The Advisers Investment Trust is a vehicle that can help simplify the entrance into the '40 Act space, particularly for foreign advisers."

The Advisers Investment Trust offers operational infrastructure and fund management, governance and distribution of funds to large, affluent corporations and individuals.

Deutsche opens sub-branch in Shanghai free trade zone

Deutsche Bank China has opened its sub-branch in the Shanghai free trade zone

The new branch follows the approval from the China Banking Regulatory Commission on 28 April.

It is Deutsche Bank's seventh branch in China—the others are located in Beijing, Chongqing, Guangzhou, Tianjin, Shanghai and Qingdao.

Commenting on the Shanghai free trade zone, Alan Cloete, co-CEO of Deutsche Bank Asia Pacific, said: "The establishment of this free trade zone is a critical step in China's ongoing ambitious financial reforms on cross-border trade and investment flows."

The sub-branch offers services associated with cross-border transactions including automated RMB cash sweeping for cross-border lending, two way RMB cash pooling, payables/receivables, foreign exchange, interest rate hedging, financial supply chain solutions, structured commodity trade finance, and structured trade and export finance.

Feng Gao, president and chief country officer of Deutsche Bank China, added: "We are very excited to further expand our franchise in China, made possible by the founding of the Shanghai free trade zone."

Nomura Holdings, meanwhile has signed an agreement with Shanghai Lujiazui Financial Holdings to create a joint venture in the free trade zone.

Lujiazui International Trust Co and Shanghai Jiu You Equity Investment Fund Management LLP have also signed the agreement to create the joint company.

Nomura wants to create a presence in the China onshore market and take advantage of the country's financial asset growth.

Chapman's Eye on the market

New dawn

What a difference a day makes, or more accurately, a Bank Holiday weekend. A somewhat misogynistic acquaintance of mine traditionally 'calls' the start of summer when he sees a given number of ladies shedding their drab winter garb and starting to wear colourful summer clothes. Correspondingly, following a slow and sluggish start to the recruitment market prior to Easter, I sense that, for whatever reason, the market has blossomed exponentially and so I'm pleased to call the return of something akin to a proper jobs market.

By 'proper' I mean a market that is not in distinct disequilibrium with an excess of candidates and a lack of roles, resulting in a nightmarish game of musical chairs with multiple candidates chasing each and every role with multiple agencies as well as, at the same time, directly with firms.

The proper jobs market is one in which the candidate is in the fortuitous position of having multiple offers in front of them, giving them the ability to compare and contrast attributes virtually at their leisure. Such a market also means that hiring managers/firms will have to move much quicker and be much more efficient with their hiring process—no longer can an interview process be strung out over weeks or months.

Additionally, we'll start to see a degree of remuneration inflation, which has recently been confined to areas such as trustee and Alternative Investment Fund Managers Directive specialists, and OTC derivatives practitioners. Hiring firms will be obliged to become more assiduous with the recruitment firms they use, too. Rather than using a firm that farms CVs using LinkedIn or spurious and vague advertisements on jobs boards, offering minimal industry or candidate insight, they will appreciate that only firms higher up the value chain will bring the candidates the business requires.

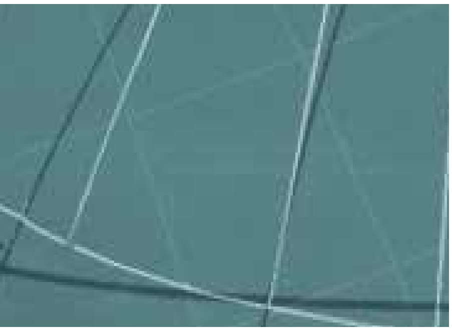
Another trend being seen is an increased desire from candidates who would previously only consider banks as potential workplaces to consider third party administration or vendor firms. Historically, if you looked at the market in terms of concentric circles emanating outwards with banks at the core, then asset managers, utilities, and vendors, most people would gravitate towards the centre for purposes of job security, remuneration and 'respectability'.

Now, following the recent years of job losses, remuneration deflation and an increase in regulation and attendant bureaucracy, people are much more willing to embrace the more entrepreneurial and dynamic approach of the vendor-type firms, which, while they tend to pay slightly less on base salary, do have attractive variable pay structures and the added benefit of having commission, as opposed to discretionary bonus, structures in place.

I'm pleased to say that we're seeing new roles come in on a weekly basis, so if you feel like wearing a new set of corporate clothes this summer, do get in touch via paul@hornbychapman.com

Paul Chapman, managing director, HornbyChapman Ltd

Global market reach. Expertise in Canada.



Powerful service platform for global financial institutions.

Whether you are a multi-national financial institution or a multi-asset investment manager, CIBC Mellon provides a powerful platform of asset servicing solutions — tailored to meet your needs.

We offer asset servicing expertise in the Canadian marketplace, scalable solutions, plus access to the global resources and products of our U.S. parent, BNY Mellon.

It's the reason why CIBC Mellon was named **Canada's Custodian of the Year** *(Custody Risk Americas Awards, 2014).* In 2014, CIBC Mellon was recognized as the **Best Sub-Custodian in Canada** by *Global Finance magazine* for the eighth consecutive year and was named **Best Single Major Market Sub-Custodian in the Americas** *(Global Custodian magazine, 2014)*. CIBC Mellon is also the **only Canadian custodian to earn "top-rated" status** (from leading and cross-border/non-affiliated clients) in *Global Custodian Magazine's 2013 Agent Banks in Major Markets survey*. When selecting your Canadian custodian, choose CIBC Mellon.

For more information, contact:
Shane Kuros at 416-643-6365
Alistair Almeida at 416-643-5126
www.cibcmellon.com

Custody Risk Americas Awards 2014 WINNER

Custody Risk Americas Awards 2014 Custodian of the Year – Canada

CIBC MELLON

©2014. A BNY Mellon and CIBC Joint Venture Company.
CIBC Mellon is a licensed user of the CIBC trade-mark and certain BNY Mellon trade-marks.
CIBC Mellon is the corporate brand of CIBC Mellon Trust Company and CIBC Mellon Global Securities Services Company and may be used as a generic term to reference either company or both companies collectively.

BNY Mellon asset management: two become one

Standish Mellon Asset Management Company, BNY Mellon's investment business, has launched an asset management solution for US insurers.

The new solution groups asset management and asset servicing together, and it also includes global custody, insurance accounting and reporting.

Vince Pacilio, executive vice president at BNY Mellon and head of the insurance segment, said: "We're seeing more insurance companies looking for bundled solutions as they would rather partner with providers that offer a holistic and more comprehensive set of services."

The solution promises to meet the needs of insurance companies, which require asset management and asset servicing to be grouped together.

BNY Mellon can now provide investment management and investment services to a broader range of insurance companies, according to Pacilio.

Christine Todd, president of Standish and head of its insurance and tax-sensitive groups, said: "Developing synergies between our investment management and investment services business enables us to meet the unique needs of the insurance segment."

ESMA consults on MiFID reforms

The European Securities and Markets Authority (ESMA) has launched the consultation process for the implementation of the revised Markets in Financial Instruments Directive (MiFID II) and Regulation (MiFIR).

This is the first step in the process of translating the MiFID II/MiFIR requirements into practically applicable rules and regulations to address the effects of the financial crisis and to improve financial market transparency and strengthen investor protection.

MiFID II/MiFIR introduces changes that will have a large impact on the EU's financial markets. These include transparency requirements for a broader range of asset classes; the obligation to trade derivatives on-exchange; requirements on algorithmic and high-frequency-trading; and new supervisory tools for commodity derivatives.

It will also strengthen protection for retail investors through limits on the use of commissions; conditions for the provision of independent investment advice; stricter organisational requirements for product design and distribution; product intervention powers; and the disclosure of costs and charges.

Steven Maijoor, chair of ESMA, said: "The launch of [the] MiFID II/MiFIR consultation process is an important step in the biggest overhaul of financial markets regulation in the EU for a decade."

"The reform of MiFID is an integral part of the EU's strategy to address the effects of the financial crisis and aims to bring greater transparency to markets and to strengthen investor protection. These changes are key to restoring trust in our financial markets."

"We appreciate the magnitude of this exercise for stakeholders. We strongly encourage all those affected by these reforms to provide their views to ensure that we take them into account in our final proposals."

The main proposals in the financial markets structure, transparency and regulation area cover enhanced transparency and trading obligations, micro-structural issues, and data publication and access issues.

Investor protection is also a priority for ESMA, and it is to consult on inducements, product governance, product intervention/banning and improved information on costs and charges.

In addition, the draft regulatory technical standards in the investor protection area relate to the authorisation of investment firms, passporting and certain best execution obligations.

ESMA will hold three public hearings about secondary markets, investor protection and commodity derivatives issues on 7 and 8 July.

SGX and Clearstream: the right collateral is priority

Sourcing the right collateral is an increasing priority for the financial industry in Asia, according to the results of a poll conducted at the 5th Global Securities Financing Conference Asia.

GBST is a provider of software and services to the global financial services industry. We have more than 25 years' experience delivering innovative, robust and reliable solutions for capital markets, securities processing and wealth administration. GBST is unique in the marketplace with its continued investment in product development to ensure its solutions deliver the business benefits you need today.

Capital Markets Solutions

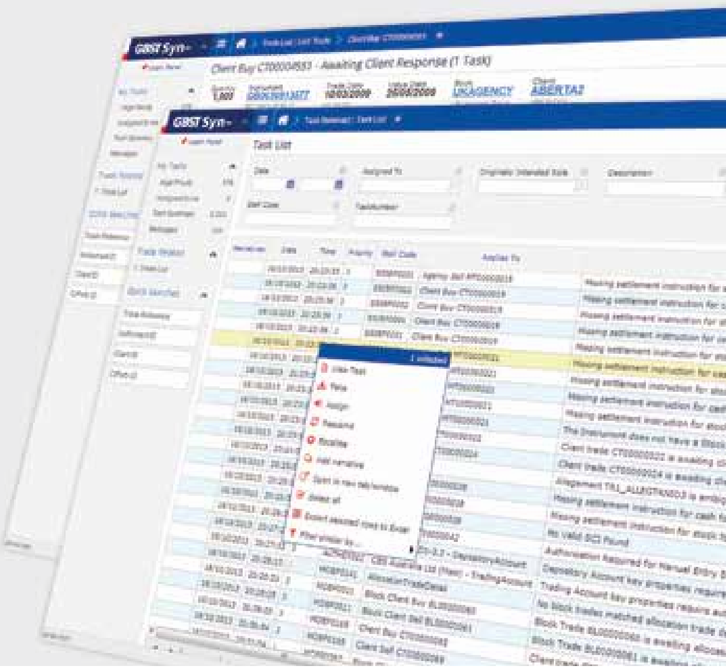
Whether you are an institutional or retail broker, custodian, or investment bank, GBST can deliver a platform specifically designed to enable growth opportunities while maximising efficiencies and managing the risk of daily operations.

GBST's platforms are designed to meet the needs of regulated marketplaces that organisations must conform to. The end result is that GBST solutions offer an edge in middle office processing and back office clearing and settlement for your business.

Our latest capital market solution Syn~, is our platform for the future. The highly dynamic rules based Syn~ platform delivers on the efficiencies dictated by global capital market requirements for processing equities, derivatives, fixed income and managed fund transactions.

Syn~ will also help you streamline your operations in the back and middle office.

At GBST we provide robust and flexible solutions to global capital markets participants. If you are facing challenges with your back, middle or front office, or just want to improve your operational efficiency, minimise risk or improve your client service, speak to us today and we can find a suitable solution for your business.



Global Sales Offices

Brisbane
Level 4, 410 Ann Street
Brisbane QLD 4000 Australia
Telephone: +61 7 3331 5555

Sydney
Level 24, 259 George Street
Sydney NSW 2000 Australia
Telephone: +61 2 9253 6555

London
8th Floor Linen Court
10 East Road London N1 6AD
Telephone: +44 20 7613 8800

New York
19th Floor 222 Broadway
New York NY 10038 USA
Telephone: +1 347 289 5464

Melbourne
Level 8, 34 Queen Street
Melbourne VIC 3000 Australia
Telephone: +61 3 9617 5555

Singapore
55 Market Street Level 10
Singapore, 048941
Telephone: +61 2 4298 9100

Hong Kong
Unit 2904, 29/F Universal Trade Centre
3-5A Arbuthnot Road Hong Kong
Telephone: +852 3184 4000

Technology for your future. info@gbst.com | www.gbst.com

Singapore Exchange (SGX) and Clearstream recorded a number of trends in the global collateral industry, following the poll of conference attendees. The conference is one of the first initiatives to come from the pair since they agreed last September to jointly develop collateral management services in Asia.

More than 150 delegates attended the conference, which focused on the recent developments around collateral management, securities lending and OTC derivatives in the Asia Pacific and worldwide.

At the conference, 93 percent of delegates agreed that sourcing the most appropriate collateral to cover global exposures is a priority, while 6 percent disagreed.

The poll results showed half of the respondents believed there would be a shortfall of eligible collateral over the next 12 to 24 months; 28.4 percent did not think so; 17.3 percent did not know; and 4.9 assumed there would be a "significant shortfall".

More than 80 percent believe they have more work to do in the move towards a more efficient collateral management solution, with 14.1 percent having "little" and 2 percent stating they have no work to undertake.

An efficient collateral management solution would be important for 44 percent of delegates, for them to hold their assets in Singapore as collateral. Competitive pricing, a trusted management provider and global connectivity were also drivers.

For 84 percent of the delegates, triparty repos will become increasingly attractive to corporates as a replacement to cash deposits, but 15 percent of delegates disagreed.

Stefan Lepp, head of global securities financing at Clearstream, said: "Our discussions with industry delegates in the Asia-Pacific region confirmed that we are on the right track with our SGX partnership and the execution of our recently announced joint collateral management service."

Nico Torchetti, head of post trade at SGX, added: "Customers are increasingly concerned about the impact of the regulatory changes occurring outside of Asia and their ripple effect across the region. We look forward to offering a collateral management solution for the Singapore market and the wider Asian region."

Thomas Murray gives NSD the thumbs up

Thomas Murray has audited NSD and found that it is broadly observant of the CPSS-IOSCO PFMIs.

Thomas Murray has independently reviewed the National Settlement Depository's level of observance of the CPSS-IOSCO Principles for Financial Market Infrastructures (PFMIs).

There are 24 principles, all of which the NSD observes. According to Thomas Murray, the NSD fully observes six, broadly observes 10, and partly observes two of the principles. Six remaining principles are not applicable.

Eddie Astanin, chairman of the executive board at the Russian central securities depository, said: "The exercise has helped us to identify key areas of focus in order to improve our level of observance of the CPSS-IOSCO's Principles for FMIs for the next few years."

"We appreciate the work undertaken by Thomas Murray, as its results have brought an international perspective to our own self-assessment."

"Our analysis shows that NSD has already incorporated many of the required elements to observe the principles, although there are some areas that require additional improvement," added Simon Thomas, CEO and chief ratings officer of Thomas Murray.

The Committee of Payment and Settlement Systems is a part of the Bank for International Settlements. It sets benchmarks and standards for payment, clearing and securities systems and cross-border and multi-currency schemes.

EuroCCP to clear London Stock Exchange trades

European Central Counterparty will soon begin clearing trades on the London Stock Exchange.

Firms using EuroCCP to clear UK equities trades executed on Aquis, BATS Chi-X, Equiduct, GETMatched, Sigma-X, SmartPool, Turquoise and UBS MTF will be able to direct London Stock Exchange trades to EuroCCP and save at least 50 percent on settlement costs.

All trades in the same UK stock can now be netted with a London Stock Exchange trade into a single settlement obligation.

EuroCPP will begin clearing London Stock Exchange trades once legal and operational arrangements have been finalised.

Diana Chan, CEO of EuroCCP, said: "The addition of EuroCCP to the central counterparties already available will bring the benefits of more competition together with reduced costs."

In December 2013, EuroCCP merged with EMFC, forming Europe's largest cash equities central counterparty.

With more than 1,500 clients, including the world's top 10 banks*, we know what it takes to support the industry's leaders.

Redefining post trade operations globally

SmartStream delivers highly flexible and innovative transaction processing software that supports critical operational infrastructures: from industry-leading reconciliations and cash management solutions to reference data management.

Our TLM® Solutions and Data Management Services enable you to rapidly respond to changing market demands – where efficiency, risk, cost and compliance are the new industry watch words.

See what we can do for your organisation, contact SmartStream today:

+44 (0)800 279 5465 (UK)
+1 (866) 603-1893 (Americas)
+65 6 224 76 89 (Asia Pacific)
info@smartstream-stp.com

Card Processing Controls
Cash & Liquidity Management
Client Money
Confirmations Management
Corporate Actions Processing
Data Management Services
ETD/OTC Derivatives Processing
Reconciliations
Trade Finance
Trade Process Management
Transaction Fees Invoice Management

SmartStream
smartstream-stp.com

* The Banker

HSBC Securities Services has been appointed global custodian to the Local Government Pension Scheme (LGPS) funds for Norfolk, Suffolk and the London Borough of Hackney.

The bank will provide global custody, investment accounting and securities lending services for £6.5 billion of assets under management.

The mandate, which will run for five years, is the first to be awarded under the National LGPS Framework for Global Custody Services. The framework was introduced in 2013 and is designed to provide a quicker and more efficient method for funds to select a global custody provider.

“HSBC Securities Services offers us competitive and transparent pricing together with a comprehensive custody and reporting solution and strong relationship support which will help each of us move forward in terms of efficiency and performance,” commented Glenn Cossey, chief investment officer for the Norfolk Pension Fund.

Arjun Bambawale, head of HSBC Securities Services in Europe, said: “This win emphasises HSBC’s understanding of the LGPS requirements and our ongoing commitment to providing the highest quality service.”

HSBC already provides fund services to local government authorities, including the pension funds of the West Midlands, West Yorkshire, South Yorkshire and Swansea, Dorset County Council, and the Northern Ireland Local Government Officers Superannuation Scheme.

Columbus International has appointed **BNY Mellon** as trustee, paying agent, registrar and transfer agent for its $1.25 billion corporate bond issuance.

The firms already have a relationship, as Richard Hugh, vice president of corporate development at Columbus International commented.

“We chose to work with BNY Mellon on this transaction because of the longstanding relationship we have with them and their history of supporting our company,” said Hugh.

Sonia Chaliha, head of sales and relationship management for Latin America and Canada at BNY Mellon Corporate Trust, said: “We are well positioned to support Columbus International in this issuance.”

“Being appointed to such a high-profile transaction illustrates the market’s trust in our global capabilities and expertise,” added Chaliha.

As of 31 March, BNY Mellon was the trustee and/or paying agent for more than 65,000 debt-related issues globally.

Interactive Brokers Group (IBG) in Brazil has mandated **BNP Paribas Securities Services** for local custody, settlement and FX.

Securities firm IBG, based in Connecticut in the US, has more than $5.2 billion in equity capital. It conducts its broker-dealer and proprietary trading businesses in more than 100 markets worldwide, and has been active in Brazil since 2010.

The new mandate was awarded to BNP Paribas, in January on the basis of its strong client support offering and advanced custody and reporting systems, “which will bring operational efficiencies to IBG in the Brazilian market”, according to the bank.

It marks the extension of a long-standing relationship as BNP Paribas has been providing equity and listed derivatives post-trade services to IBG in the Italian market since 2003.

Brian Sussman, head of clearing operations of IBG said, “We are very pleased to extend our long-standing relationship with BNP Paribas to the Brazilian market. We were impressed with the sophistication of their operational set-up in the market and look forward to working with them to grow our franchise there.”

Nelson Fernandes, head of Brazil for BNP Paribas Securities Services, commented: “This is a landmark deal for us in Latin America. We are very pleased to have been mandated by such a significant player as IBG.”

Societe Generale Securities Services (SGSS) in Italy has been appointed by Wells Fargo Asset Management to act as its correspondent bank for the distribution of the Wells Fargo (Lux) Worldwide Fund, its Luxembourg-registered SICAV, for Italian retail investors.

SGSS was selected for its expertise as a correspondent bank and its capacity to accompany Wells Fargo Asset Management in developing its international offerings, specifically to facilitate the firm’s retail offering in Italy.

SGSS in Italy offers a complete range of securities services, including settlement, custody and trustee services, fund administration, middle-office services, risk and performance, liquidity management and transfer agent services.

The City of Milwaukee’s Employees Retirement System (CMERS) has reappointed Northern Trust as the fund’s global custodian.

CMERS has previously worked with **Northern Trust**, which has provided custody and compliance services for the $4.9 billion fund.

Northern Trust has signed a fiver-year contract with CMERS, where it will continue to provide the same services as before.

David Silber, chief investment officer of CMERS, said: “We’re satisfied with Northern Trust. We had good faith negotiations with them. They’ve done well, and there’s always a little risk to change custodians.”

OGEO FUND has mandated RBC **Investor & Treasury Services** as custodian and fund administrator for its Belgian institutional open-ended collective investment scheme OGESIP Invest.

The OGEO FUND is a pension fund in Belgium, which manages first and second pillar and occupational pensions for public and parapublic organisations such as municipalities, provinces and municipal communities.

Sébastien Danloy, managing director of continental Europe and offshore at RBC Investor & Treasury Services, said: “We are delighted to support OGEO FUND with our expertise as they increase their investment and reporting controls in assets under management.”

“[The] OGESIP Invest sicav will provide us with an enhanced governance and control structure in the future,” said Emmanuel Lejeune, member of the OGEO FUND management committee and director of the new sicav.

The fund manages assets and beneficiaries among its eight associated companies.

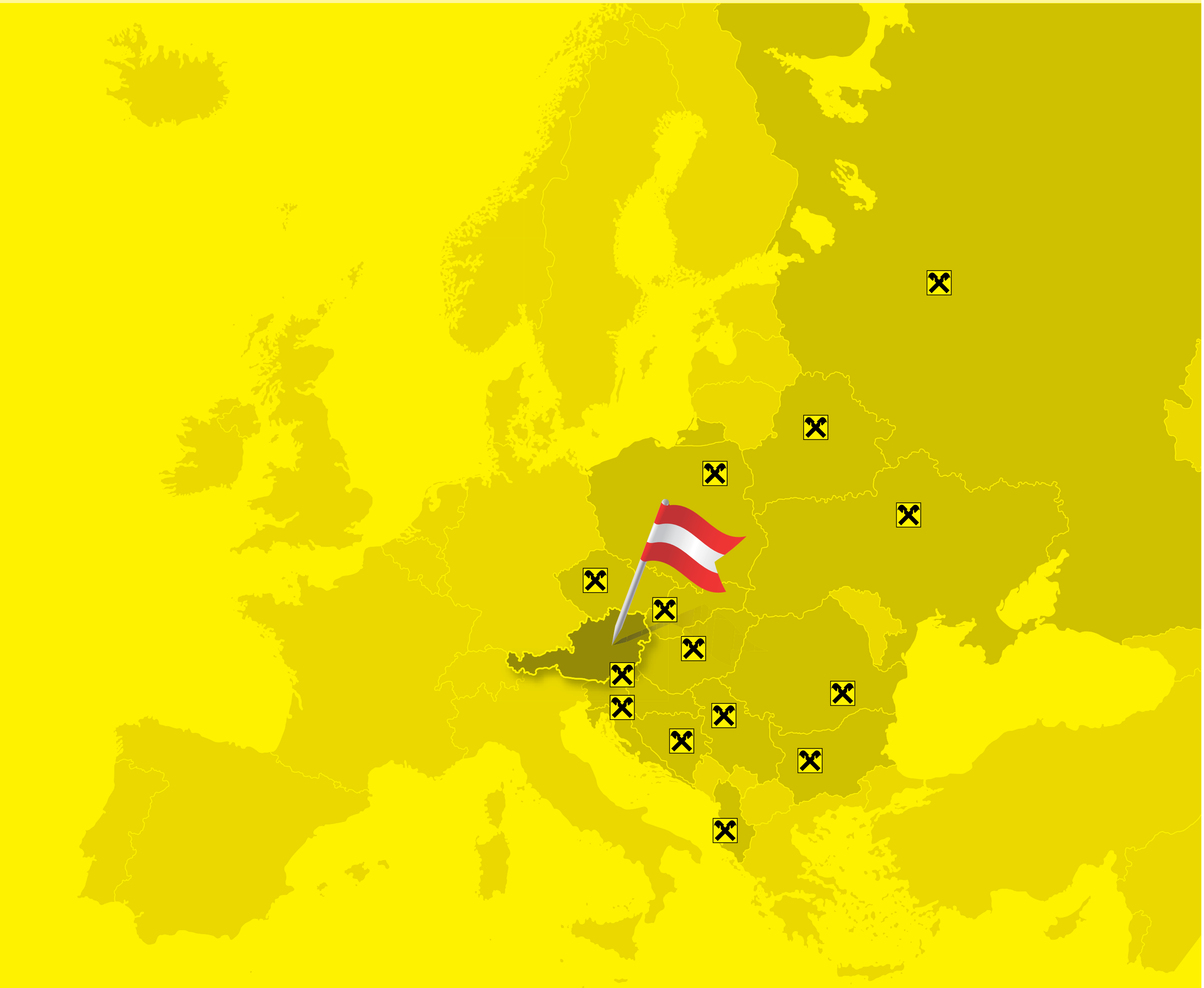
SEI will provide fund administration, investor servicing and Irish trustee and custody services for Iridian’s Irish-registered UCITS fund.

The mandate is part of Iridian’s a desire to expand its presence beyond the US and launch its equity fund in non-US markets.

Collin Morris, director of marketing and client service at Iridian, said: “The UCITS structure was a critical part of the decision, but it ultimately came down to SEI’s proven platform and expertise across fund strategies and structures.”

John Alshefski, senior vice president of SEI’s investment manager services, also commented on the mandate: “By turning to UCITS, Iridian is extending its strategies throughout Europe.”

“We believe that this partnership will provide Iridian with the world-class platform and infrastructure they need to continue to grow,” he added. **AST**



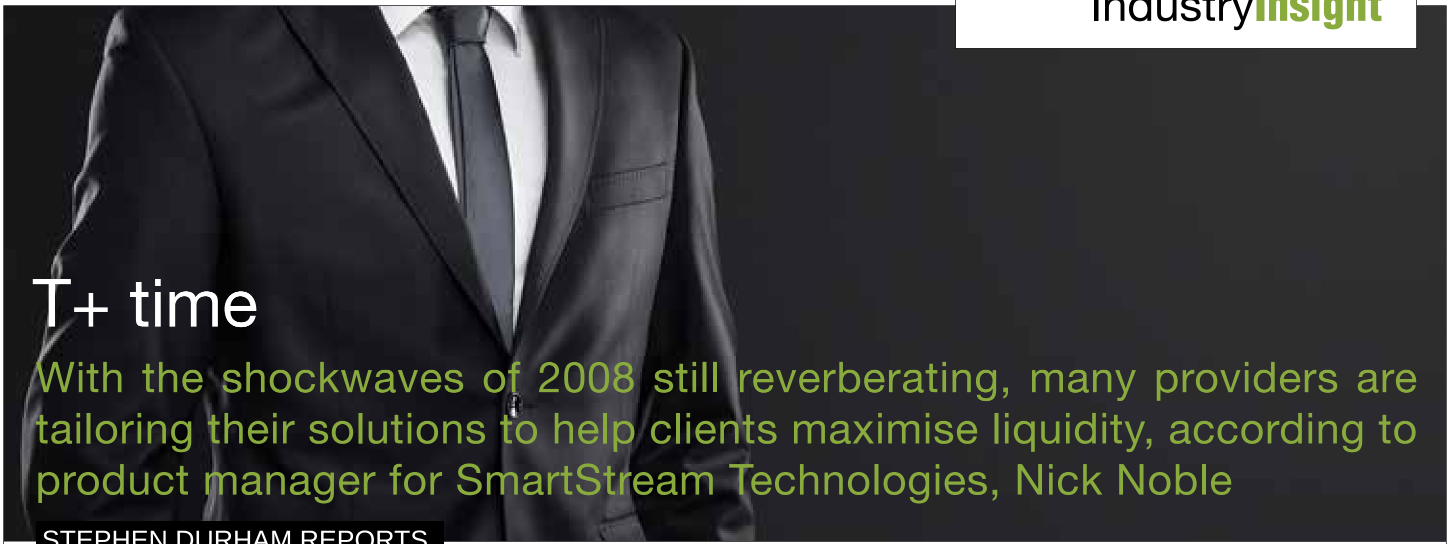
CEE starts in Vienna

and continues with RBI in Belgrade, Bratislava, Bucharest, Budapest, Kiev, Maribor, Minsk, Moscow, Prague, Sarajevo, Sofia, Tirana, Warsaw and Zagreb.

Raiffeisen Bank International AG (RBI), a member of the largest banking group within the AAA-rated Austria, welcomes you to Central and Eastern Europe. Its **Group Securities Services** extends beyond borders and provides global custodians, broker-dealers, ICSD's and institutional investors with the most extensive network coverage and state-of-the-art execution throughout this region. We are now open for business, welcome to our world!

www.rbinternational.com

Raiffeisen Bank International



T+ time

With the shockwaves of 2008 still reverberating, many providers are tailoring their solutions to help clients maximise liquidity, according to product manager for SmartStream Technologies, Nick Noble

STEPHEN DURHAM REPORTS

Why are intraday liquidity reporting requirements at the forefront of many people's minds at the moment?

What we hear from our clients is management and visibility of intraday liquidity have always been a key interest for banks. They are continually striving to gain greater visibility and control of their intraday liquidity. Since the financial crisis, everyone is acutely aware of the risk of mismanaging intraday liquidity and this caused the regulators to look at it with more scrutiny.

This culminated in a publication in April 2013 by the Basel Committee on Banking Supervision, which documented explicit monitoring requirements around intraday liquidity. Although the regulations have driven the impetus behind banks initiating intraday liquidity management programmes, they have been at the forefront of peoples' minds for a few years.

Monitoring changes to intraday liquidity exposures can be used as a strategic tool. What are the benefits of this for banks?

When a firm is using intraday liquidity, it has to gain that liquidity by using credit lines or collateral, and they come with a cost. Often, firms are not fully aware of their utilisation of those credit lines, etc. By being able to understand and profile what liquidity they are using and at what cost it comes, they have the opportunity to rationalise those uses of liquidity. There is a return on the investment from that perspective. There is also the improved customer service and reputation they gain through reducing the risk of not being able to meet settlement obligations.

If mismanagement of intraday liquidity caused a settlement to fail or credit line to be breached, this could result in cost and reputational issues. The goal is to have access to liquidity when it is required at minimal cost. There is also a case for getting ahead of the curve and being able to react to any potential stress situations. The control over intraday liquidity and gaining an understanding of what the typical liquidity profile is for a day enables clients to identify stresses early and avoid any potential issues further down the line.

Also, if you are able to demonstrate to your local regulator that you have decent controls and models in order to manage your intraday liquidity more efficiently, any liquidity that you need to hold could be reduced because you can mobilise it to where it is needed.

With the T+2 settlement cycle still not in effect until 2015, why is T+0 already an issue? Is there any chance of the transition being sped up?

T+0 is not necessarily to do with the full trade lifecycle but the settlement cycle and is about being able to manage liquidity in real time. It is about being able to reconcile positions and therefore have a more detailed and clear understanding of the uses, business lines and drivers of liquidity, which can only be understood by tying back to the original booked trades within the organisation versus the settlement advises.

How are you helping clients with relation to the T+ requirements?

Smartstream has a cash liquidity management solution that has been live since 2005 and we have many top-tier clients that are using this. Our reaction on behalf of our clients and to service the market, is to meet the demands of the regulators but also to support them in integrating intraday liquidity management practices into their operations. We have introduced an Intraday Liquidity Management module to specifically help our clients in this space. We continually work with top-tier clients in order to fine-tune the exact mechanisms of this module, which seamlessly integrates with our Cash and Liquidity Management solution.

How is intraday liquidity supported by regulations and are there any changes coming to the legislation in the near future?

Banks need to consider how they manage their liquidity with different participants having varying degrees of insight based on how they have approached the requirements and how strategically they have looked at implementing these tools. In the next couple of years there will be proactive operational change in cash and liquidity management as they react and deal with new levels of detail.

The value of credit lines will be assessed and the timings of when payments are initiated through correspondent banks is likely to come under scrutiny. The regulators are also going to be getting much more visibility on how intraday liquidity is being consumed and offered in their local jurisdictions. This could initiate further market-wide controls or individual audits with banks in terms of how they manage liquidity. The first step is providing visibility, which is severely lacking in many organisations today.

In terms of assisting with reporting requirements, what solutions does Smartstream provide for its clients?

Our solution enables clients to gain deep insight and proactively manage their intraday liquidity across multiple perspectives, as well as producing all the metrics and tools in order to meet regulatory compliance. AST

Nick Noble
Product manager
SmartStream Technologies

kdpw_

We are the LEI Numbering Agency (pre-LOU)
We Offer Also Trade Repository Service KDPW_TR

Need a LEI?
You don't need to wait in line!
Get it quick when you click.

www.kdpw.eu

Making custody look simple

Custodian banks must work hard at delivering holistic, integrated services with a straightforward, transparent look and feel, says Robert Scott of Commerzbank Corporates & Markets

As we approach the 14th NeMa network management conference, which has a focus on "How will sub-custody survive the decade?", "How will regulation affect the cost of risk and the altered product offerings?" and "T2S: what does the future hold?", there has never been such sustained pressure on service providers and market infrastructure.

At the forefront are the myriad pressures from regulations such as the US Dodd-Frank Act, European Market Infrastructure Regulation (EMIR), Markets in Financial Instruments Directive (MiFID) II, Central Securities Depository Regulation (CSDR) and TARGET2-Securities (T2S). These reforms are designed to decrease systemic risk, but there are operational challenges and associated cost pressures that impact heavily on the client as a consequence of these new rules and regulations.

Therefore, there is a need for greater levels of transparency and interpretation. The subsequent navigation through these new reforms is challenging enough for clients operating in a single jurisdiction—for many firms trading in multiple markets around the world, that challenge is exponentially multiplied. Understanding the impact of being compliant, how regulations connect, reporting, and how this impacts the use of infrastructure, can be very complex.

As a consequence, it is paramount that firms work in partnership and closely align themselves with service providers that truly understand them, their business needs, drivers in the market and underlying requirements. Businesses should seek a partner that can provide advisory services, expert guidance and effectively position them in the markets in which they operate. They must also understand how adept and nimble the bank is at adapting to change.

At a simple level, one can see that banks are restructuring as a response to capital requirements in order to create a stronger base to work from. When selecting or reviewing a service provider, financial institutions, asset managers, funds and corporates must evaluate the quality of the institution. They need to know that it has the required strength, capability and representation to operate on their behalf anywhere around the globe. These requirements reflect the drive for increased transparency. Clients not only want to see that the bank is well-balanced, they want clarity as to how their own assets are segregated and recorded with ownership being clearly understood.

The changing face of custody

Changing capital charges and transparency requirements impact particular areas of business. For example, re-hypothecation of assets has been falling out of favour as there are balance sheet implications to consider for the provider and a need for clearer understanding from the customer as to where assets are. That makes the existing model less cost-effective and inefficient, as a greater degree of asset segregation is required to provide that certainty.

While custody in its broadest sense is a very straightforward product, if you are a corporate or fund manager with lots of activity across different landscapes—for example Asia, Europe and the US—the environment is made complex by the lack of standardisation or harmonisation between regimes, as well as service providers.

Clients can have difficulty understanding even the simple invoicing from a custodian, because services are often bundled together and the standard custodian fee schedules often overly complex. Invoices can hold up to 50-plus chargeable points of service, making both understanding and reconciliation increasingly challenging.

There is also often a lack of internal integration within the big custody providers that could deliver greater efficiencies to the clients. Big banks are often unable to integrate all of their execution capabilities with their post-trade servicing environment. Delivering change within big organisations using a global infrastructure can be akin to turning an ocean tanker on its axis.

Cumulatively, these create a significant problem for many custodian banks, under pressure to provide certainty and transparency for their clients. The banks have to re-examine their systems and their core operating environment.

Getting to grips with the market

For financial institutions, asset managers, fund managers or corporates, it is crucial to understand that custodians do not take legal liability for your compliance issues. If you want to connect to multiple markets, you have to have a good understanding of what is going on from a legal and regulatory perspective. While banks will provide some degree of navigation, the bottom line is that regulatory compliance always lies with the client.

The more that banks deliver a 'one-size-fits-all' approach, the more firms are required to make investment themselves in understanding their legal and compliance position in new markets, how they should position themselves or set up in a given country, and how the services they need are matched with the services they are currently receiving.

Commerzbank's approach is to be strong locally in key markets. We have both expertise and centralisation of process in local markets, rather than offshoring to other global low-cost locations. We do this to ensure we truly understand our clients and their specific needs and business imperatives. As a result, we can tailor our service approach to them, without forcing them into a 'cookie-cutter' type of service. We have a highly experienced workforce who have unparalleled connectivity to local regulators and market infrastructures. This means we are able to put our clients' needs and representation, in a given market, at the forefront of our thinking.

We are focused on creating a simple process and service without reducing the quality.

This has required some innovative thinking in parts. For example, TradeCycle, which launched in September 2013, required us to integrate services from across several of our investment banking business lines with the infrastructure of post-trade services provider Clearstream, to deliver a 'one-stop-shop' for over-the-counter (OTC) derivatives clearing, settlement, custody and collateral optimisation.

Initiatives like these are of paramount importance to non-bank clients operating in the capital markets. Using an integrated service like TradeCycle with a single piece of documentation, a client can access the OTC derivatives market with all of the associated challenges, such as collateral management, taken care of. Combined with expert local market knowledge, it creates confidence in the custody provider and clarity for managing day-to-day business. It should be simple, but for many of our clients, that is not the case. **AST**

> "For financial institutions, asset managers, fund managers or corporates, it is crucial to understand that custodians do not take legal liability for your compliance issues. If you want to connect to multiple markets, you have to have a good understanding of what is going on from a legal and regulatory perspective"

Robert Scott
Head of custody
Commerzbank Corporates & Markets

Movers and distributors

Two new fund passports could be up and running in Asia within the next few years, giving managers access to the likes of Singapore

MARK DUGDALE REPORTS

The prospect of a UCITS-style fund passport in Asia must be enticing for managers in the region, considering the success the European project has enjoyed. Soon, those working in and around Singapore will benefit from two.

Singapore has a hand in the Association of Southeast Asian Nations (ASEAN) Collective Investment Scheme (CIS) Framework for Cross Border Offering of Funds and Asia-Pacific Economic Cooperation (APEC) Asia Region Funds Passport. These initiatives, covering Singapore, Malaysia, Thailand, South Korea, the Philippines, New Zealand and Australia between them, will fill cross-border void for fund distribution in the region.

“There are currently no established schemes to facilitate the cross-border dissemination of funds in Asia, unlike the UCITS initiative in Europe,” says Stephanie Magnus, who is an associate principal in the corporate and securities practice group and head of the financial services and regulatory practice in Singapore at law firm Baker & McKenzie.

“It is hoped that these passport arrangements will open up Asian markets (with their very disparate laws and regulatory frameworks) to fund mangers and funds (and streamlining the cost of compliance), while giving increasing choice for investors,” she explains.

“With Asia’s rising importance, particularly in the financial services sector, and with the increasing affluence of Asia, it is hoped that these scheme will improve investment choice, and strengthen Asia’s status as a key global investment hub.”

A consultation paper on the Asia Region Funds Passport was released in April. Speaking at the time, John Brogden, CEO of Australia’s Financial Services Council, echoed Magnus’s comments.

He said: “Asia is currently punching below its weight in terms of the share of global funds management activity. It has 60 percent of the world’s population but only 12 percent of the worldwide funds under management. There is significant potential for Asia to increase its share.”

Asia’s funds under management do not reflect its share of the world’s population because the avenues currently available to set up new vehicles limit managers, according to Roger Harrold, who is a managing director of securities and financial services consultancy AlfaSec Advisors in Singapore.

Funds can be set up locally in the domestic market or through a UCITS, explains Harrold. This works in domiciles such as Singapore, Hong Kong, South Korea or Australia, where funds are established and sold within their borders.

UCITS structures allow funds managed out of Dublin or Luxembourg to be marketed in Singa-

COMMITMENT, EFFECTIVENESS, EXPERIENCE

ČSOB Securities Custody

- If you are looking for a partner with perfect knowledge of financial markets in the Czech and Slovak Republics, turn to ČSOB Custody.
- We can guarantee long-term experience, full service and maximum efficiency.
- Think about regional custody in Central Europe with KBC Group members.

Contact in the Czech Republic: Československá obchodní banka, a. s.
Jaroslav Záruba, phone: +420 224 114 434, e-mail: jzaruba@csob.cz, www.csob.cz/custody

Contact in the Slovak Republic: Československá obchodná banka, a. s.
Rastislav Čapkovič, phone: +421 259 668 415, e-mail: rcapkovic@csob.sk, www.csob.sk

ČSOB

www.csob.cz

www.csob.sk

pore, Hong Kong or Taiwan, but some Asian domiciles, including the Philippines and Malaysia, have not embraced them, while others, namely China and India, do not recognise them at all.

Harrold explains: "Why is it changing? Fund passports allow one fund established in one country to be distributed in another country that embraces similar rules and regulations. Obviously, with the growth of the markets in Asia, the local regulators are keen to have a greater say in these savings channels—mutual funds, trusts and banks are harbouring a lot of savings—and how their market develops. At the moment, unless it's a home-grown structure, your only alternative is UCITS, and while the local regulators have some oversight, it is ultimately controlled out of Dublin or Luxembourg."

The main hurdle that fund managers looking to disseminate their funds across Asia are facing "is the disparate regulatory requirements across the different Asian countries", says Magnus.

"The implementation of the initiatives will help to uniformalise the regulatory requirements, which will in turn give fund managers a consistent standard to adhere to, thus increasing the efficiency of cross-border fund dissemination, and prospectively lowering the regulatory costs for fund managers."

The benefits of the initiatives will be many, says Magnus, with fund managers in Singapore set to enjoy the best of both.

"At the moment, Singapore is the only country that has participated in both the ASEAN Framework and the Asia Region Funds Passport. With Singapore as a financial centre, the local regulator, the Monetary Authority of Singapore (MAS), has been taking active steps to keep the country's regulatory regime robust."

"Currently, the ASEAN Framework's regulatory standards are broadly in line with MAS's requirements, and it is projected that the finalised Asia Region Funds Passport standards will likely also be similar to Singapore's domestic regulatory standards. Singapore fund managers will therefore have a head start in terms of familiarity with the cross-border investment schemes' regulatory requirements."

Harrold says that the ASEAN Framework and the Asia Region Funds Passport will "probably benefit fund managers that are already have physical presences in the region".

"If you're a fund manager in the UK, trying to set up an office in Singapore in order to distribute your funds and invest in the ASEAN Framework, that is probably going to be a hard sell because the rules specify that you need to have some form of presence in each of these markets," explains Harrold.

Managers will also benefit from being able to run a larger, more efficient fund that does not need more than one custodian or administrator, says Harrold. There is also the prospect of dealing with a lighter regulatory environment.

"Some would say that a fund manager would benefit from a lighter regulatory environment if your only alternative to setting up a local fund is using a UCITS structure."

"European managers have done a great job over the past five years dealing with very onerous regulation in UCITS IV and V. Anyone that is setting up a UCITS structure needs to comply with that, so I think there is a certain amount of benefit for a management company in using a different structure that which is outside of that regulatory environment."

He explains: "If you think about Singapore and Hong Kong, they may take a different view on what type of reporting and regulating that is required from managers. It doesn't always go hand in hand, that whatever is good for Europe is good for Asia. The lighter regulatory touch may be appealing to some fund managers, if they have an alternative."

The new initiatives are still in the making. Magnus says: "There has been little news about the ASEAN Framework since the release of the Standards of Qualifying CIS framework document last year. However, since the ASEAN Framework was originally targeted for release in the first half of 2014, we should expect to receive further updates about the framework's implementation soon."

"The Asia Region Funds Passport is currently undergoing consultation, following the release of the consultation paper on 16 April 2014. It is projected that the passport will be implemented and operational by 2016. There has been no slip in timelines."

Some custodians are preparing their offerings in Singapore with the initiatives looking likely to appear within the next two years.

Standard Chartered recently added trustee services to its global custody and fund services capabilities for collective investment schemes in Singapore. With the new service, the bank now offers fund administration, fund trustee, custody, and cash management for fund managers looking to offer authorised funds in the jurisdiction.

Alan Naughton, global head of product management for investors and intermediaries at Standard Chartered, commented: "Expansion of our fund trustee services in Singapore is a natural progression for us as a comprehensive securities services provider in the region."

"We have undertaken extensive research to ensure that not only do our broad capabilities meet client requirements but that we differentiate ourselves from other players in the region. We are extremely grateful for the support given to us by the Monetary Authority of Singapore during the licensing process."

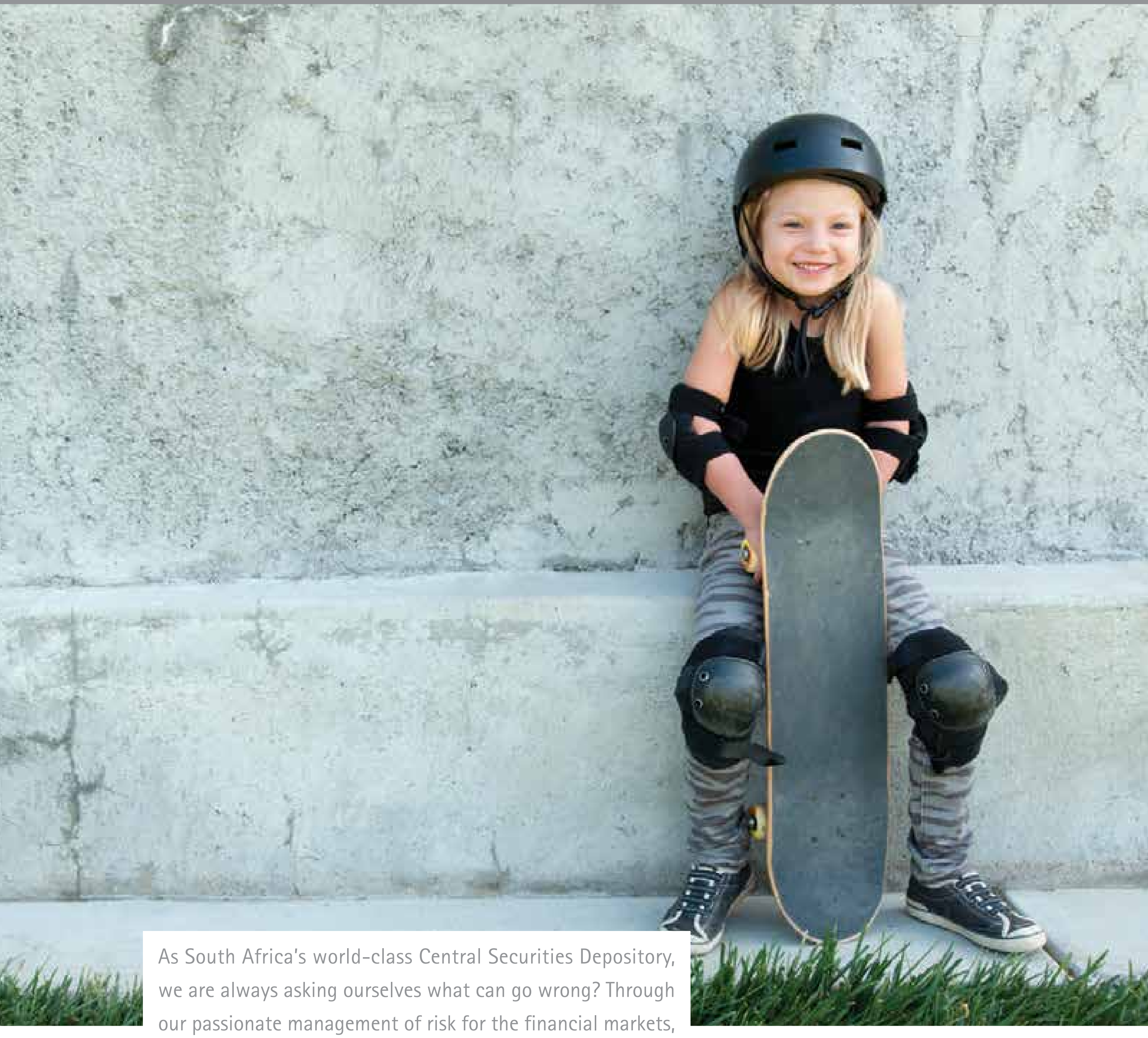
Harrold says that custodians remain divided about the new initiatives in Asia: some are skeptical, while others are more bullish.

> "Global custodians will have a harder time keeping traditional fund managers if these passport schemes take off—as, simply put, they will not have the footprint nor access to domestic product to cater to these fund mangers' needs"

"I would argue that some of the regional service providers are not being bullish enough. I think international custodians such as HSBC, Deutsche Bank and Citi, which already have custody, accounting and trustee capabilities on the ground in many of the Asian countries, would probably have an easier time of putting together a package to support these fund structures than perhaps indigenous banks."

"I think what we're going to see is more domestic custodians that have a Asian regional footprint devising programmes to support fund managers. I think the majority of these domestic custodians will want to protect that business and take the lead in delivering cross regional services. I think global custodians will have a harder time keeping traditional fund managers if these passport schemes take off—as, they will not have the footprint nor access to domestic product to cater to these fund mangers' needs. And once they are up and running, I suspect most domestic custodians will probably be less prepared to share their strategic advantage with the global custodians."

Asian fund passports will be an enticing prospect for managers, particularly those looking for an alternative to UCITS. But it will take time for the Asian passports to develop the reputation that UCITS currently enjoys, and it is down to the managers to discover their best uses, and make them count. **AST**



As South Africa's world-class Central Securities Depository, we are always asking ourselves what can go wrong? Through our passionate management of risk for the financial markets, Strate is trusted to provide certainty to the post-trade securities environment, ensuring we leave nothing to chance.

Leaving nothing to chance!

Tel: +27 (11) 759 5300 • Fax: +27 (11) 759 5500
1st Floor, 9 Fricker Road, Illovo Boulevard,
Illovo, Sandton, 2196, South Africa.
Email: info@strate.co.za • **www.strate.co.za**

strate
South Africa's Central Securities Depository

Pressure from above

Stephanie Colaric of BofA Merrill Lynch demystifies the ever changing landscape of custody banking and explains some of the imminent obstacles

MARK DUGDALE REPORTS

How are regulations progressing, and how much more regulation do you predict to be coming down the path?

The introduction of widespread regulations will continue to impact every facet of the banking and financial services industry for many years to come: firstly, because many of the changes are being implemented in a phased, multi-year approach and, secondly, because it may be some time before the full impact of the changes can be seen. For example, regulations such as the US Dodd-Frank Act and Basel III have already fundamentally changed the way that banks and other affected financial institutions do business and will continue to impact these institutions for the foreseeable future. More specific market infrastructure changes, such as Target-2 Securities (T2S) and the Central Securities Depositories (CSD) directive, being introduced in a phased approach may continue to evolve over time particularly as they are affected by market forces.

What are custodians doing to prepare for T2S, and how has the euro crisis affected their preparations?

It would be fair to say that custodians are at differing stages of preparedness for the adoption of T2S. Some of the largest institutions have already invested heavily and set up their own depositories, but this approach may not make sense for smaller organisations. It will be a number of years before T2S is fully implemented, and many custodians are waiting to make a final decision until the alternative operating models and their value propositions become clearer.

How is pressure on the clients of custodians affecting mandates?

The entire financial services industry is going through a period of unprecedented change due to regulatory and market infrastructure upheaval brought about largely by the global financial crisis. The impact is being felt end-to-end, from the front office (such as the asset managers) to the administrators (such as global and sub-custodians) and through to the underlying market infrastructure entities (such as CSDs).

From a custodian's perspective, this has created both opportunities and challenges. Asset managers want to concentrate on the business of making investment decisions—one of the key reasons they appoint global custodians in the first place. As cost pressures and regulatory requirements on their community intensify, they are increasingly looking to their custodians to take on as much of the heavy lifting as possible. They may outsource middle office, compliance, and risk reporting or, in the case of Alternative Investment Fund Managers Directive (AIFMD), have custodians act as a depository and take on everything that function entails.

This is creating opportunities for those custodians that are able to respond to more complex requirements and deliver a broad suite of products that go beyond a standard custody offering, but in doing so custodians must pay constant attention to the additional risk they are being asked to take on.

What clients are European custodians keen to pick up, and what are they doing to attract this business?

Client selection standards are becoming increasingly critical because of the risk management oversight and regulatory framework from global regulations, such as Basel III's liquidity coverage ratio, and its proposed interpretation in the US.

These proposed changes will require custodians to evaluate each new client opportunity with respect to their underlying structure and activities and understand how much in high quality liquid assets (HQLAs) must be held against assumed outflows. Banks will look for deep relationships with their clients, as single-product relationships will be deemed less viable from a bank's point of view. Relationships with custodians should be viewed holistically rather than on a product-by-product basis. Banks will need to look at the total value of the relationship, so clients may need to take a similar approach.

In response, many custodians that are part of large global institutions are becoming much more strategic in leveraging their firm-wide capabilities to offer clients a seamless end-to-end multiproduct capability covering such business lines as execution, custody, FX, treasury, and reporting—all delivered through one client-facing portal.

How do you view the market shape changing within the CSD space?

Opinion remains divided regarding the future number of CSDs post-T2S and whether the number will go down or up. Intuitively, it would seem that standardising the settlement infrastructure across Europe will lead to a reduction in CSDs, but ultimately only time will tell. However, it is clear that if a CSD is to survive in the future, it will need to change its servicing model from that of a utility and move up the value chain providing a more robust asset servicing capability. For a CSD this could either be through building out its own capability or by entering into strategic alliances with other participants.

What are the consequences of inefficient settlement, and how can obstacles be solved?

Generally speaking, the less efficient and streamlined the settlement process, the more participants are impacted by higher operating expenses, greater settlement risk, higher liquidity costs and a less efficient use of collateral. These are all issues that are intended to be addressed through the implementation of T2S in Europe. Other markets and regions in the world are at differing stages of evolution and their ability to implement their own T2S rules is limited by a lack of a single currency and by legal, tax and jurisdictional and political considerations.

A successful implementation of T2S will undoubtedly be closely watched and may be seen as a catalyst for change in other regions. AST

Stephanie Colaric
Global custody product head
Bank of America Merrill Lynch

SWIFT

How successful processing starts - and finishes.

The path taken by a corporate action announcement is rarely smooth. Whether it's a dividend, bond redemption or merger, the stages between issuer to intermediary to investor can see data get dropped, details missed, and investor decisions, delayed.

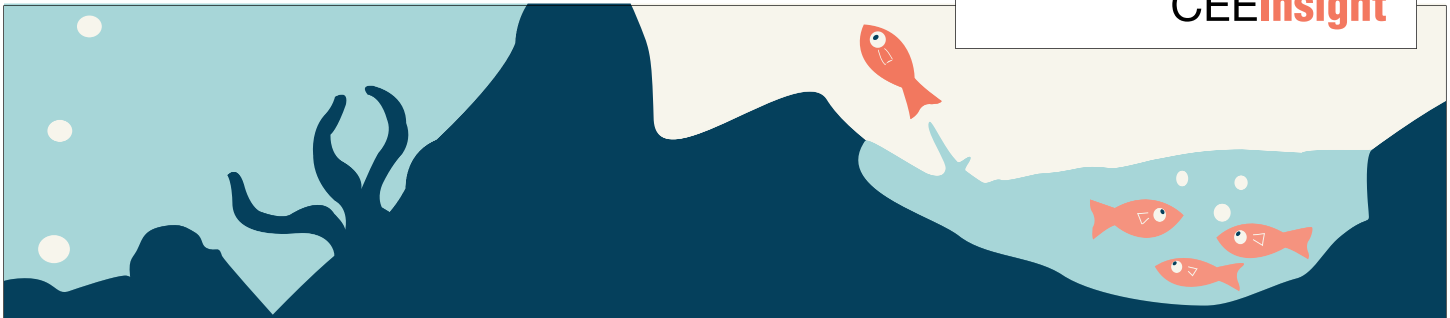
The solution is clear. A standardised, common language. One that ensures consistency of information delivery and data integrity from the issuer of a corporate action straight through to the end user.

Together, Swift and DTCC have created a solution that means less delay on corporate actions announcements, less burden on intermediaries, and less chance crucial data will get missed or misinterpreted.

Which makes a lot more sense.

To find out more, contact Malene McMahon in our New York office:
email: malene.mcmahon@swift.com
telephone: +1 212 455 1906

- For more information on SWIFT and its portfolio, *visit swift.com*
- To join the community debate *visit swiftcommunity.net*



Central and Eastern Europe: what next?

A slim and efficient production environment exists where clients can gain maximum synergies by using Raiffeisen Bank International as a provider in a multi-market environment, says Attila Szalay-Berzeviczy

The CEE region still looks towards an uneven economic outlook over the next 12 months. How does Raiffeisen view the growth outlook for CEE and CIS states?

The current economic climate does still deliver a rather divergent picture on the country level going forward. The reason is mainly based on two factors: the still sluggish recovery in Western Europe that does not provide full support to the eastern economies and the uncertainties around potential sanctions towards Russia. In our main scenario, we continue to expect that Russia will not extend its territorial claims into eastern Ukraine, but does not feature an escalation with military means or severe economic embargoes between the EU/US and Russia.

However, just these elevated tensions and the acrimonious mood between Moscow and Kiev are enough to make the negative effects for both economies and their financial markets even worse. By contrast, prospects for Poland, the Czech Republic and Hungary have continued to improve in the first few months of 2014, prompting us to revise the GDP growth projections upwards. We expect the overall situation to stabilise slightly and to add a bit more comfort to the capital markets and the real economies.

Talking of Russia and the Ukraine, what is your main scenario bearing the recent developments into account?

The main factor that will determine the magnitude of the negative impact of the political conflict is to what extent the west will intervene with economic sanctions against Russia. We also see risks that political uncertainty and turbulence on the financial markets will discourage foreign direct and portfolio investments. Moreover, the RUB has come under serious pressure over the past couple of months.

However, we forecast moderate sanctions only. We do not believe that fully fledged trade and financial sanctions will be implemented by the west.

Do you anticipate an increase in listing activity on CEE and CIS exchanges in the next 12 to 24 months?

Whereas we observed quite solid listing activities in Poland, Russia and Romania during the last years, other countries such as Hungary, Czech Republic and Croatia had almost no IPO activity. Since 2011, we have noticed a substantial slowdown in the IPO market in the Central and Eastern European (CEE) region due to global stock market turbulences, debt crisis uncertainties and the deterioration of the macroeconomic environment.

In the near term, we see equity markets still under pressure (eg, institutional investors are reducing their stakes in risky assets that affects CEE stocks in particular, in some countries governments cut their payments to pension funds, etc).

However, in the long run we are rather optimistic regarding a stock market recovery and therefore expect that listing activities will increase at least to some extent. But we do not have an overly positive view that listing activities in the CEE region will come back to all-time highs any time soon.

How is RBI positioning itself in response to these economic drivers that you have outlined? What are the major challenges that your organisation faces in expanding its business?

CEE provides a structurally attractive environment with economic growth rates that are clearly above the average of the eurozone. Generally, Raiffeisen Bank International's diversification—we are a universal bank present in 15 CEE markets—proves to be very valuable. Challenging developments in single units are more than compensated by strong performance in others. Generally, we plan to foster our relationship-based business model, focusing on prime corporate and retail customers. We see further business opportunities in offering capital markets products to our CEE customers.

The major challenges we are currently facing are regulatory requirements, as implemented by the European Banking Authority and others, the banking levies that differ in the various countries we are active in, and of course the current developments in Russia and Ukraine. But we are sure that all of these challenges are manageable, as Raiffeisen Bank International is one of the leading banks in Europe's growth region CEE

The one-stop-shop is now available throughout the CEE region, providing our client base with attractive synergies at their end. The benefits comprise of a harmonised IT landscape, lower cost base and a powerful governance model within our organisation. Thus, the current infrastructure allows us to pass on the benefits to our clients and to meet their high expectations in terms of risk, product range, service quality, and last but not least, pricing.

This fact results in a slim and efficient production environment where the client can gain maximum synergies by using us as provider in a multi-market environment, ie, the more markets are covered via us the higher the benefits for our customers. The future focus of our organisation is to build on the current base and to exploit the environment and structure further for the sake of efficiency and client benefit.

Furthermore, from the infrastructure entities' point of view, we will face changes towards more interoperability. However, the pace will not be very fierce as every country seems trying to hang on to their domestically dominating position as long as possible. We will experience more multimarket listings or listings abroad. The issuers obviously need to count on a liquid and attractive stock exchange. Due to the current economic climate, some issuers will be successfully lured away from their home markets to more liquid ones. **AST**

Attila Szalay-Berzeviczy
Head of group securities services
Raiffeisen Bank International

DTCC GLOBAL TRADE REPOSITORY

The Industry's Choice for Regulatory Reporting

In the global derivatives market, DTCC is dedicated to helping customers meet their regulatory reporting requirements and promote safety and soundness in the trading of these instruments.

DTCC operates a global trade repository for credit, interest rate, equity, FX and commodity derivatives.

For more information, please contact:

Europe and Middle East
GTR-EMEA@dtcc.com
+ 44 207 650 1545

Asia Pacific and Japan
GTR-APAC@dtcc.com
Japan + 81 3 6721 8876
Singapore +65 6407 1000

Canada, North, Central and South America
GTR-Americas@dtcc.com
+ 1 212 855 3531

www.dtcc.com/gtr

DTCC.COM/gtr

DTCC
Securing Today. Shaping Tomorrow.℠

The risks in risk management

There is always a chance that what is missing from having an overview of risk is actually what ends up costing money, says Simon Shepherd of MYRIAD

Risk management is now a part of the daily lexicon of the network manager, no matter how senior or junior. The move towards more comprehensive, integrated frameworks for risk management has to be welcomed, providing of course that the benefits outweigh the costs and that, once implemented, risk management frameworks are genuinely fit-for-purpose. The jury is probably out on both counts.

Anyone's risk management set up is only as good as the weakest link in the chain. The amount of investment required by a bank to make sure that network management is not the weakest link differs widely from bank to bank. Many that have not felt the need to invest in this area have been confident in their reliance on existing systems, generally developed in-house. 'System' in this context, is a safer word to use than 'solution'.

This—the rise of risk management as a discipline—is a game of 'a better system', not 'best', or, on occasions, do nothing at all (sometimes also described as 'we've got it covered'). For many years some banks have prided themselves on having the best systems because they have been developed in-house. Many have regarded it as a key competitive advantage developing such systems in-house, the key crite-

keler

20 years of experience
Solid background
State-of-the-art IT architecture
EMIR compliant clearing house
Wide client base – from all over Europe

Issuer CSD
Investor CSD
T2S Connectivity
Asset Servicing
Cash Management
Order Routing System for Investment Funds
Trade Reporting
Clearing Services for Capital Markets
Clearing Services for Energy Markets
Direct Accounts for Remote Members

Contact: keler@keler.hu

www.keler.hu

rion being in-house development rather than quality of solution.

Of course, many people might equally suggest that this approach ultimately builds in obsolescence precisely because there is no 'best of breed' collaboration or sharing of ideas. This is not the best approach where risk management is concerned, although diversity does have its benefits when talking about systemic risk.

In a similar article last year, I made the following statement: "A fundamental truth … is that information is the key determining factor in risk management, not the process itself. Poor information will always compromise the risk management function. As clean and comprehensive a stable of core data, organised in a logical, accessible fashion is the only starting point for a proper risk management exercise." In any risk management decision, those responsible are ultimately relying on the quality and accuracy of underlying data. Gaps or errors in that data will always compromise the final decision.

A good example here is the monitoring of concentration risk. For some time now there has been a 'push me, pull you' effect in this area: the number of suitable, available sub-custodians might have fallen in some markets, heightening concentration risk, at precisely the time when having a shadow network in the same markets, to mitigate that concentration risk, has grown. On the one hand, the type of risk being monitored has changed—fewer entities to monitor, but in greater depth—and on the other, more entities to monitor in (arguably) just as much detail.

Overall, the 'processing' burden, the assimilation and assessment of all this information, has grown, and sometimes substantially. However, the tick box approach has been to layer in another process, without necessarily looking at the underlying quality of data, its organisation and its immediate availability.

Many teams have been asked to 'bend' existing technology from other departments or third party suppliers to their needs. This is the focus on process. Someone else has something you can use and considerations of cost have, at times, over-ridden the risk management objective. Re-using an existing system or process that might well be ill-suited for this specific purpose, somehow misses the point. Even if the process is sufficiently fit-for-purpose, it is still reliant on the quality and accuracy of underlying information. For this you need a proper system, even if it is only a 'feeder' system into the wider risk management effort.

You only have to look at the eye-watering fines levelled at banks in recent years, to understand just how misguided and truly expensive the 'cost first, consequence later' approach really is.

Indeed, these legacy systems are often inherited from (and paid for by) other teams, because the economic imperative outweighs the sensible approach of implementing a purpose-built solution. A number of banks have embarked on vastly expensive and inefficient internal overhauls of legacy systems because of dominant (and defensive) IT departments. There is considerable risk in this approach, even ignoring the considerations of cost, timescales and shareholder value.

Some institutions are almost positioning themselves for increased risk, at the very time they should be being nimble about reducing exposure. However, some have embraced innovation and implemented off-the-shelf, cost-effective solutions, which have helped to move them ahead of the crowd.

From a risk management point of view, understanding 'context' is the most sensible starting point for any platform sitting in the network management arena. If you do not have a truly comprehensive view of all your nostros, you will be hamstrung from the outset. If you do not understand who you are working with and to what level, this will always be a risk. Having different teams working with similar exposures will undermine any risk management effort by the wider group—there is always a chance that what is missed from an umbrella view is actually what ends up costing money.

If information is the key determining factor in the quality of any risk management effort, then information manifests itself in Management Information Systems. MIS is built on a bedrock of sound static data, which has been scrubbed at set-up and around which high standards of data cleanliness can be maintained. There are two connected processes here, each reliant upon the other. The first is creating a transparent, easily maintained database, the second is pitching quality, dynamic information into that database, often on a regular basis.

If good selection and good monitoring procedures can leverage this static context, then all that good work still needs a good home to go to, not just to tick the box this time around, but also to position that dynamic data for future access and re-use. Indeed, re-using old data as part of the risk management process is an important part of making judgements about changes in circumstances. Therefore, calling upon relevant archived data, preferably in the same system, makes a huge amount of sense for the risk manager.

I am not aware of Excel spreadsheets having an 'alert' capability. When that date in cell B23 comes to pass and I remain blissfully unaware of its importance and the expiry of a particular document or the passing of a review date, then spreadsheets can be deemed to have fallen at the first hurdle. Unless someone actually scrutinises the spreadsheet on a daily and perhaps even hourly basis, then any notion of automation can be dispensed with, as can the degree of infallibility attributed to this particular system. Herein lies the risk in risk management. **AST**

"Some institutions are almost positioning themselves for increased risk, at the very time they should be being nimble about reducing exposure. However, some have embraced innovation and implemented off-the-shelf, cost-effective solutions, which have helped to move them ahead of the crowd"

Simon Shepherd
Chief executive
MYRIAD Group Technologies


Deutsche Bank
Global Transaction Banking
Expect more from T2S
With the right partner, the real benefits of TARGET2-Securities (T2S) are within reach: reduced cross-border settlement costs, optimized use of collateral and richer funding opportunities.
Deutsche Bank has invested significantly in the success of T2S to offer clients:
— a wide choice of operating models and value-added services
— connectivity in more than 80 markets including 33 with a local presence and plans to be a Directly Connected Participant
— the kind of liquidity only a world-leading euro clearer can provide
Deutsche Bank: Committed to T2S. Committed to you.
For more information, visit www.db.com/gtb or email GTB.Marketing@db.com
Passion to Perform
This advertisement has been approved and/or communicated by Deutsche Bank AG. Without limitation this advertisement does not constitute an offer or a recommendation to enter into any transaction neither does it constitute the offer of securities. The offer of any services and/or securities in any jurisdiction by Deutsche Bank AG or by its subsidiaries and/or affiliates will be made in accordance with appropriate local legislation and regulation. Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin – Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of Deutsche Bank AG's authorisation and regulation by the Financial Conduct Authority are available on request. Investments are subject to investment risk, including market fluctuations, regulatory change, counterparty risk, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you might not get back the amount originally invested at any point in time. © Copyright Deutsche Bank 2013.

Collaborating on the collateral conundrum

The evolving regulatory environment will continue to place significant pressures on financial firms and create myriad challenges for managing and processing collateral, says DTCC's Mark Jennis

The ability of regulatory reform to increase market stability, enhance transparency and reduce risk will be partly dependent on the efficient processing and allocation of collateral. The industry's ability to meet this challenge, however, rests upon cross-border collaboration and development of industry-wide solutions.

Derivatives regulations and new capital and liquidity requirements for financial institutions remain the key drivers of new collateral demands. While these drivers are well known, estimates on the amount of collateral required vary among the industry. The Bank of England estimated in 2012 that the amount of additional collateral needed to meet requirements posed by new regulations globally could reach $800 billion. A more recent study by the Bank of International Settlement estimated this to be around $4 trillion.

Estimates on the likely increase of margin calls also vary across the industry. Dealers estimate margin call increases of between five to 10 times as a result of clearing requirements, bifurcated derivative portfolios and clearing fragmentation across asset classes and regions.

The scale of the challenge is unprecedented. Many institutions do not currently have a clear picture of their pools of eligible collateral. They need to first establish the inventory and location of collateral, before they can look at optimising its use, but the challenge does not stop here. Optimising collateral not only requires reviewing the eligibility criteria and understanding the terms of the collateral agreement, but also calculating the costs of putting that collateral to different uses, moving the collateral and following its settlement status across the extensive network of depositories and custodian banks.

Many firms' systems and workflows are ill prepared to meet this challenge. A combination of these legacy workflows, and an increase in both the collateral required and margin activity will impact balance sheets and operational costs.

Capital charges will increase as firms are required to fund larger amounts to support the lack of certainty around intraday collateral required. But the challenge does not end there, as firms must account for the additional charges associated with moving collateral from the dealers' balance sheets to segregated accounts.

Operational costs will also rise. The process of identifying collateral transactions and tracking that collateral through to settlement is likely to be overwhelming for current systems and operations. Furthermore, the segregation of accounts required by new regulations, while improving the safekeeping of collateral, will add complexity to the collateral management process. Many firms will find that their existing technology will be challenged to support this process.

> "The MTU will mitigate systemic risk and provide additional risk and cost benefits to both sell-side and buy-side market participants by increasing scalability and operating efficiency, as well as providing greater transparency across all their collateral activity"

There are currently multiple collateral management solutions available to individual firms, encompassing anything from portfolio margining to collateral optimisation, that address specific segments of the collateral challenge. However, the situation urgently demands an industry-wide solution that can address both the scale and the efficiency challenges of collateral processing, as well as the gap between the supply and demand of collateral. Without it, hedging risks will become more expensive, profit margins will continue to be squeezed, and investment returns will become more challenging.

Recognising that the industry requires a solution to address both the scale and the efficiency challenges of collateral processing in the new environment, DTCC has been working on a key initiative with Euroclear, the Margin Transit Utility (MTU).

Utilising DTCC-developed infrastructure, the MTU will provide straight-through processing of margin obligations between market participants, automatically creating appropriate settlement messages for cash and securities transfers and pledges, which will be enriched with the 'golden copy' of standing settlement instruction data contained within Omgeo ALERT. The MTU will support all appropriate segregation and safekeeping instructions for the applicable depositories, custodians, clearinghouses and member banks, culminating in full consolidated reporting and record-keeping of all collateral movements.

This facility will mitigate systemic risk and provide additional risk and cost benefits to both sell-side and buy-side market participants by increasing scalability and operating efficiency, as well as providing greater transparency across all their collateral activity.

A broad global cross-section of the industry is currently engaged in the development of the MTU, including dealers, buy-side, global custodians, administrators, clearinghouses, central securities depositories and other service providers. The MTU is expected to be rolled out during the course of 2015.

The evolving regulatory environment will continue to place significant pressures on financial firms and create myriad challenges for managing and processing collateral. In an environment where cost benefit analysis rules the day, we are continuing to work with market participants and market infrastructures to help solve these issues. **AST**

Mark Jennis
Managing director, strategy and business development
DTCC


> Corporate and Investment Banking
THE SOLUTIONS YOU NEED TO STAY CONNECTED IN AFRICA
Investor Services from Standard Bank
Doing business in Africa can be complicated. If you need access to custody and related services, you need to find a partner who knows the continent like their own backyard. Because Africa is our home, Investor Services from Standard Bank offers you a breadth of capability across 15 African countries. So whatever your investment activity on the continent, we have the expertise to make your business work.
They call it Africa. We call it home.
For more information, contact Adam Bateman
email: adam.bateman@standardbank.co.za or
visit www.standardbank.com/cib
Standard Bank
Also trading as Stanbic Bank
Moving Forward™
Authorised financial services and registered credit provider (NCRCP15).
The Standard Bank of South Africa Limited (Reg. No. 1962/000738/06).
Moving Forward is a trademark of The Standard Bank of South Africa Limited

A platform for success

Tony Klim of Bravura Solutions talks platform and transfer agency trends and reflects on the success of the company's Sonata next-generation administration platform and what makes it different

MARK DUGDALE REPORTS

What should an ideal retail investment platform do?

At the moment, one of the fundamental requirements is being able to support a range of different distribution channels. This includes both the advised and direct to consumer (D2C) platform models, and even the workplace. Having that flexibility of distribution is key.

A broad range of product coverage is also important, and particularly in the UK, a range of tax wrappers. The obvious ones are ISAs, SIPPs and investment bonds.

Given how the value chain is being squeezed, it has to run economically. Operational efficiency is becoming more important as platform providers look to deliver more acceptable profit margins.

What makes Bravura's Sonata solution different?

Fundamentally, it's the next generation of platform technology. We've invested a huge amount in research and development to build Sonata. It's underpinned by Java n-tier architecture and an Oracle database to deliver a high level of performance. We've focused on flexibility, with service orientated architecture (SOA) and web services facilitating optimal integration with third parties. Other platform solutions, while they may offer functionality, haven't yet made that technological leap.

This investment in technology provides our clients with a highly scalable solution, which is particularly important for D2C propositions where there is a high number of end users. It's essential that the technology can scale and Sonata achieves linear scalability, handling an increasing workload without any impact on performance.

It's very much a technology base which results in efficiency. Our clients need to be able to operate the platform effectively, with as much automation as possible. A custom built internal workflow delivers straight through processing (STP) throughout the entire administration life cycle.

How much personalisation does Sonata offer?

This isn't a vanilla wrap or platform product. With Sonata, clients can configure and tailor a uniquely branded proposition. The product itself is like a sophisticated toolkit. Its client-centric structure supports multiple roles and many-to-many relationships. It can be configured quickly without a lot of software changes and its coverage extends from the administration of investments to retirement and life insurance products.

That's what clients are really buying—flexibility in terms of configuration, product choice, branding, operational structure and support for multiple propositions with platform clients. They are able to look at both the advisor and D2C space on a single platform solution.

The other point I'd make about Sonata is that it's a global product line. We're a global company that operates in sixteen countries and all of our Sonata clients are benefitting from what we're doing in Australia, Europe and Asia because it's all on the same product. We'll also have a multi-currency capability on Sonata very soon.

What is happening in the UK with fund distribution?

The main driver of change in the UK has been the Retail Distribution Review (RDR). It has shaken up the market by making advisor charging explicit, moving away from commission payments and banning rebates being paid to platforms from fund managers.

For platforms, it comes down to flexibility from an advisor perspective, in handling the new charging models, not just the traditional commission model. Post-RDR it has also resulted in more interest in D2C propositions, as more consumers are faced with having to pay explicitly for advice as opposed to it being 'hidden' through commission. More consumers are choosing to do it themselves and go via execution-only platforms.

We're seeing growth in the D2C and advised platform markets. The technology solution must have the flexibility to run both platform models on the same architecture, and be able to support new advisor charging models.

I think these are global trends, too—it's not unique to the UK. We have seen something similar in Australia. They are moving away from commissions to much greater transparency of the value chain. Having the flexibility to offer products via both advised and execution-only environments is important.

Moving on to transfer agency, what trends are you seeing?

Transfer agency is quite a mature market. Third party administrators and in-house transfer agency functions tend to have multiple systems they have inherited through acquisition. Some of our larger clients are consolidating from five or six transfer agency systems down to one because of the operational efficiency gains that can be realised.

We are also seeing some convergence of long and alternative funds, driven by greater regulation such as the Alternative Investment Fund Managers directive. Fund administration organisations are reducing operating costs and removing duplication. Greater transparency throughout the entire fund industry is driving this.

We're also involved in providing surround technology solutions to transfer agents as they look to link core systems: automated messaging, data warehousing, reporting and distributor front-ends. It's a mature market but there's still a lot of activity.

One trend is the demand for global transfer agency. Our solutions are global, so for Citi, BNY Mellon and other clients, our products operate worldwide, on a multi-currency, time zone and language basis—that's very much a trend we expect to continue. AST

Tony Klim
CEO
Bravura Solutions

Calastone
the global fund transaction network

Focused on performance, profitability, growth?

Does your transaction processing hold you back?

Calastone's global fund transaction network can handle any protocol, format or standard. There is no need to make any technical changes. Our Execution Management System provides order flow transparency, improving control and oversight.

Reduced cost. Reduced risk. Real time.

calastone.com

©Calastone Limited is authorised and regulated by the Financial Conduct Authority. Calastone Limited is registered in England and Wales no. 6298923. Registered office: Birchin Court, 4th Floor, 20 Birchin Lane, London, EC3V 9DU. Calastone Pty Limited is registered in Australia no. 51 154 476 347. Registered office: Level 10, 1 Margaret Street, Sydney NSW 2000, Australia. Calastone Hong Kong Limited is registered in Hong Kong n..1880413. Registered office: Suite 1301, 13/F ING Tower, 308 Des Voeux Road Central, Hong Kong. Calastone Inc. Is registered at 1202 Orange Street, Suite 600, One Commerce Center, Wilmington, New Castle, Delaware 19899.

Good to go

T+2 is almost upon us—are you ready for 6 October? Véronique Boizard and Nicolas Morice of SLIB take a look at the situation as it currently stands

Since the crisis of 2008, regulatory bodies have marked their clear intention to mitigate risk wherever it may arise by bringing out a series of regulations and other directives.

Against this backdrop, shortening lead times has been thought to be one effective way of mitigating certain risks, and several pieces of legislation have therefore imposed strict lead times on the various stages involved in processing a trade.

The European short-selling regulation has reduced the lead time for triggering the buy-in procedure from three days. For trades executed on OTC derivatives, the European Market Infrastructure Regulation (EMIR) requires both rapid confirmation of the terms of the contract and reconciliation of the positions of both parties within very short timeframes.

In the same vein, the Central Securities Depository (CSD) Regulation reduces the settlement cycle of most European countries from three to two days after the trade date, reducing exposure to counterparty risk accordingly.

SLIB always pays very close attention to what markets are saying. Here is the software program writer's perspective on the challenges and impacts caused by the reduced settlement period.

Impact of transition to T+2

All market players will be affected by this: brokers, assets managers, custodians, central counterparties, and international CSDs. There are a number of different types of impacts on institutions—in terms of business, organisation, legal documentation, tax, risk and IT systems.

There are also multiple levels of processes affected by the transition to T+2—from confirmation of trades right through to management of corporate actions, not forgetting settlement, of course.

Even though the impacts may be very different in nature, all of the various links in the trade processing chain will have to be accelerated and the processes optimised. Specific attention must be paid to the organisational processes in order to support the response time expected in handling restocking pauses.

To summarise, in very simple terms, post-trade processes will have to be one third faster overall than they were prior to the transition to T+2. That being said, even though some of them are already very much straight-through processes, others are in need of improvement.

In addition to this issue of reduced lead time, brokers may have another issue—the need to respond to the demand by some of their customers to carry the trade for one additional day in order to delay settlement until T+3.

Faster confirmation

The process of confirming trades is a key step in the service a broker provides to its customers.

SECURITIES SERVICES

MORE THAN A PARTNERSHIP: A GENUINE TEAM

WE BUILD LONG-LASTING, COLLABORATIVE RELATIONSHIPS WITH OUR CLIENTS TO HELP THEM GO FURTHER IN THEIR DEVELOPMENT. IN TODAY'S CONSTANTLY EVOLVING AND COMPLEX WORLD, WE STRIVE TO PROVIDE OUR CLIENTS WITH INCREASINGLY EFFICIENT AND RELIABLE SECURITIES SERVICES ON A DAILY BASIS TO ENSURE THEY GET AHEAD.

KEEP IN TOUCH WITH US: TWITTER@SG_SS LINKEDIN.COM/COMPANY/SOCIETE-GENERALE-SECURITIES-SERVICES

SECURITIES-SERVICES.SOCIETEGENERALE.COM

BUILDING TEAM SPIRIT TOGETHER

SOCIETE GENERALE
Securities Services

CELEBRATING 150 YEARS

Societe Generale Securities Services is a marketing name for the securities services businesses of Societe Generale and its affiliates worldwide. Societe Generale is regulated and authorised by the French Autorité de Contrôle Prudentiel and Autorité des Marchés Financiers. This material has been prepared solely for information purposes and does not constitute an offer to enter into a contract. Not all products and services offered by Societe Generale are available in all jurisdictions. Please contact your local office for any further information. 2014 Societe Generale Group and its affiliates. © GettyImages - FRED & FARID

It ensures that both parties are in agreement about the terms of the trade executed by the broker on behalf of its customer.

This process already meets three types of stringent conditions in terms of time schedule:

- The broker often has a contractual obligation to confirm its trades within the shortest possible lead times.
- Reducing the time between the execution of the trade and the customer's agreement mitigates the risk attached to this period of uncertainty.
- The broker's customer must not undergo compulsory validation and must be able to dispute the terms of the trade before commencement of the settlement process.

Reducing the settlement cycle from T+3 to T+2 will mechanically lead to less time being spent on confirmation. For many institutions, this constraint will require their operational procedures to be optimised and will need electronic confirmation tools to be used more systematically.

Regarding the way their confirmations are disseminated, brokers depend to a great extent on the technical resources used by their customers. Even though there may be many different media, and even if email is still in widespread use, several electronic confirmation media may be considered as repositories. The main ones (not counting the stock exchanges' or CSDs' proprietary systems) are:

- OMGEO's Central Trade Manager;
- SWIFT's Global Electronic Trade Confirmation; and
- FIX confirmation messages.

Although considerably improving the STP rate for the confirmation/allocation process, these electronic formats are, because of their diversity, a source of complexity for IT systems. In fact, the large number of different formats, protocols, workflows and exchange procedures requires tailored control and oversight tools.

This refers to tools that allow for:

- A flexible and configurable way of tracking confirmations that enables the broker to customise its confirmations based on his customers and to use different criteria to specify the method(s) of dissemination on the various channels that are to be used.
- Formatting and exchange of messages in the appropriate format and according to the appropriate protocol.
- Centralised control of confirmations providing management of exceptional flows with real time status and alerts in the case of anomalous situations.

Faster settlement

The transition to T+2 also involves knowing how to generate and match settlement instructions (SI) more quickly.

This requires processes with no restocking pauses, which clearly identify the customer's custody, by relying on sound repositories that may be fed into by external sources (eg, the Omgeo ALERT database or a custodian's/CSD's data).

This also requires oversight and control tools that can quickly detect, summarise and transmit settlement instructions whose status requires an intervention.

Finally, the transition to T+2 requires specialised forecast management that more rapidly anticipates the risks of default for failure to provide securities or cash, so that the trader has time to take the steps needed to prevent those risks. Forecast management must also facilitate management of securities carrying for a broker wishing to offer this service to his customers. What is SLIB offering?

These requirements generate new needs in terms of STP software so that full advantage can be taken of the benefits of the reduced settlement lead time.

SLIB offers software solutions for faster confirmation and settlement, while simultaneously controlling its entire business.

Faster response times

How much time do teams need for responding if there is an incomplete allocation? Or execution of a trade is still pending? Or if there is an adjustment request? How can consistency and risk control be ensured? And what's the plan for managing the progress of trades made on all markets?

Team response times are boosted if they have consolidated dashboards and a system of business warnings in push mode for responding more rapidly to an anomaly once it has been detected.

SLIB's brand new middle-office software platform is equipped with a sophisticated system of central business monitoring, providing real-time dashboards for tracking middle-office activity and proactive business alerts, enabling teams to improve in terms of response time and quality.

This shared tool for operational staff and management increases processing effectiveness as well as the quality of the monitoring of the service that is provided to customers. The push mode alerts enable traders to be more reactive and to manage only exceptions, their priority being to intervene after the alerts and deal with them.

Smoothing out middle-office complexity

SLIB Middle Office flexibly manages all the current (and future) complexity of the pre- and post-trade environment: multi-venue (where trades are executed), order internalisation, order carry or transfer to an external broker. But there is also a huge range of different configurations: multi-currency, multi-venue, multi-instrument, multi-environment, and sharing of ideas with multiple tools.

As a result of native integration into middle-office processes of an adjustment tool with the manager (SLIB Confirmation), connected to networks or exchange protocols such as SWIFT, Omgeo CTM and FIX, local systems such as State Bank of India in France, fax/email, and so on, users do not manipulate any data outside of the vertical business chain from the time executions commence right up until allocations are sent to the back office.

Better liquidity control

SLIB Settlement is SLIB's international hub for management of settlement instructions. It is for all post-trade stakeholders, whether they are brokers, clearing houses or settler agents/custodians.

SLIB Settlement can be split into two major areas: central interactive control and consolidated forecast management.

In concrete terms, a settlement dashboard gives operators faster response times by tracking the change of settlement instructions status on an ongoing basis.

This dashboard gives a global view or allows the back-office operator, in just a few clicks, to get the details of a settlement instruction that they wish to examine more closely.

Forecast management optimises changes in positions with various different depositories and better anticipates the needs of lending and borrowings or cross-border instructions. Still on an ongoing basis, the back office can easily view the interim securities positions based on multiple criteria, such as ISIN code, depository, and so on. The exceptions, such as lack of stocks or cash debit positions, are clearly identified, allowing for the rapid detection of risks of settlement failures.

Increased versatility, faster response times and improved anticipation of liquidity, the new version of SLIB Settlement is a genuine central universal hub for efficient control of instructions. Opened upstream to downstream, this powerful tool is a real asset for our customers at the dawn of T2S.

The transition to T+2 must be perceived as a genuine opportunity for stakeholders to equip themselves for better STP, in other words, an investment that is absolutely crucial as we fast approach T2S.

T+2 is in some way a catalyst that will increase post-trade efficiency, and is expected to reduce risk and simultaneously reduce the time during which utilisation is made of collateral, which, as we know, is a rare and precious commodity.

SLIB's renowned expertise as a historic provider of securities solutions make it an ideal partner to help institutions navigate in this new European landscape. **AST**

ONE PLATFORM, A WORLD OF FLEXIBILITY

Multifonds is the award winning multi-jurisdictional investment fund platform for both alternative and traditional funds

- Portfolio Accounting, combining the IBOR and ABOR on one single platform
- Fund Accounting, supporting our clients in 30+ global jurisdictions
- Global Investor, the leading cross asset class investor servicing and transfer agency platform

Today more than $3 trillion in assets are processed on Multifonds platform

www.multifonds.com

2012 FIN TECH 100 – IDC Financial Insights • BAI • American Banker • BTN

Buy-Side Technology Awards 2012 – waterstechnology
Best Buy-Side Portfolio Accounting Platform
Winner
Multifonds

rewarding excellence in business
WINNER
funds europe AWARDS 2012
European Back Office of the Year

WINNER – banking technology Awards 2012
READERS' CHOICE AWARDS
BEST POST-TRADE PROCESSING PRODUCT OR SERVICE
Multifonds

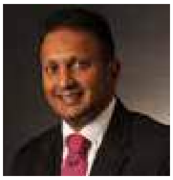
USA, Boston	+1 617 603 9400	Ireland	+353 (0)1 518 7400	India	+91 (0)80 2512 9191	UK	+44 (0)207 539 4600
USA, New York	+1 617 603 9450	Germany	+49 (0)69 7144 980	Hong Kong	+852 2972 8088	Luxembourg	+352 264 421 1
Canada	+1 204 926 8590	France	+33 (0)1 5332 8820	Switzerland	+41 (0)22 909 1090	Singapore	+65 6593 0988

Survival of the busiest

Fund administrators must get busy or die trying, according to a panel of experts

Roman Lewszyk
President and CEO
Atlantic Fund Services Europe

Keith Hale
Executive vice president, client and business development
Multifonds



Melvin Jayawardana
European market manager
Confluence

Keith Parker
Head of sales and marketing, Europe
Pacific Fund Systems

Mark Jennis
Managing director, strategy and business development
DTCC

Mark Dugdale
Editor
Asset Servicing Times

How are you coping with downward price pressure from fund managers?

Keith Parker: I think that downward pricing pressure is out of step with industry realities when administrators are facing unprecedented cost increases due to regulatory demands.

Keith Hale: Asset managers' margins have been significantly squeezed since the financial crisis, which has resulted in service providers being pressured to reduce their fees. Fund administrators, for example, are looking to increase their economies of scale and the efficiency of their operations, so that they can reduce their cost base. However, at the same time, they are dealing with the increased workload required to comply with the new regulations resulting from the financial crisis.

Multifonds is the core accounting and transfer agency engine for fund administrators (and sometimes asset managers who haven't outsourced)—essentially like the CPU (central processing unit) at the heart of their operations and IT. That 'CPU' helps with the downward price pressure by reducing costs for our clients in three main ways: (i) having an as efficient as possible system means that operations staff can process more funds and accounts more efficiently; (ii) having a single global software platform across asset classes reduces the cost of ownership compared with the typical patchwork architecture of multiple core processing systems, interfaces and data warehouses; and (iii) reducing the need for numerous ancillary systems to support the core engine by continually improving and incorporating those elements into the core, such as tax calculations, trailer fees and operational reporting.

Roman Lewszyk: Atlantic Fund Services designed its service provision to be wholly reliant on straight through processing. This, in combination with operating within a low-cost environment, has meant that the organisation has been able to price very competitively.

Consequently, our experience has been that the pressure is more around requirements for additional functionality and not price. Probably the best description is more for the same as opposed to the same for less.

Which come out on top—independent administrators or those that are prime brokerage/bank-owned?

Parker: I think that is a function of what the fund manager in question is looking for. Typically, a bank-owned administrator offers a bundled service offering and so can be a useful one-stop-shop for managers looking for that type of service. With that said, some bank or broker-owned administrators will not take on fund managers that aren't prepared to take all, or at least most of, the services they offer, eg, custody. Also, some bank-owned administrators will not take smaller or start-up funds.

An independent administrator by comparison usually offers a more limited suite of services, but will provide a more bespoke-type service that can be very attractive to smaller fund managers that look for a more personalised type of service.

Consequently, I don't believe one type of offering is better than the other. They are different and cater for differing needs.

Lewszyk: There are obviously advantages and disadvantages to both models, but we are in the unusual position of having experienced both situations.

Clearly, big bank mentality brings cross-selling, bank infrastructure, lack of flexibility etc, but on the flip side, it also brings financial strength, global credibility, total service solution, etc.

Independent administrators generally have a much higher degree of flexibility and tailoring around their offering, each piece of business is judged on its own merits as opposed to arriving as part of a bundled bank deal. Additionally, independents can partner with any combination of parties to provide a bundled service, although generally they do not have the same financial clout.

In summary, there are pros and cons to both models, but our view is that independent administrators tend to be more focused on administration and client satisfaction to the exclusion of all else, which is obviously better for clients overall.

Hale: Traditionally, the fund administration market was polarised. On the one hand, we had large global custodian banks that were typically focused on efficiency via the economies of scale gained from a consistent operating model, often for long only funds. On the other hand, there were independent, typically alternative, fund administrators that had a focused, niche and flexible approach to servicing alternative managers.

However, the accelerating trend of convergence between traditional and alternative investment structures, caused by increased institutional investment into hedge funds and liquid alternatives, has manifested in the consolidation of the fund administration market. Many independent administrators have been acquired by the large custodian banks, for example, Bank of Bermuda by HSBC, Bisys by Citi, Goldman Sachs Administration Services by State Street, and Bank of Ireland Security Services and Omnium by Northern Trust.

In our view, given the trend towards bundling custody and fund administration services, combined with the pressure on costs and alignment with banks' focus on efficiency and economies of scale, independent administrators are likely to get squeezed and there will be many more acquisitions. The challenge will then be to effectively combine the services, operating models and ultimately systems infrastructures of the large-scale efficiency-focused bank operations with the flexibility and customised approach of the independent administrators.

Considering the latest regulatory constraints and multi-prime approach that most hedge funds now typically take, we expect it will be the traditional custodian banks, rather than prime brokers, which will be the likely acquirers of independent administrators.

What are likely to be the most promising areas of new business generation for fund administrators in the next 12 months?

Melvin Jayawardana: We believe fund administrators have a tremendous opportunity to begin developing service offerings that address the new regulatory requirements fund managers face. The Alternative Investment Fund Managers Directive (AIFMD), European Market Infrastructure Regime (EMIR) and Foreign Account Tax Compliance Act (FATCA) will significantly affect current business practices, changing the way fund managers collect, validate and report on fund and investor data. The fact that funds must address all three in the same year amplifies that challenge.

Administrators will need to productise and innovate if they are to address these growing concerns from asset managers that are actively managing their profit margins. Those administrators that fail to realise the value of the data they hold will give away data elements in the form of free data extracts with no costs or large revenue implications, and will see their profits erode over time.

Hale: Liquid alternatives and exchange-traded funds offer a big opportunity for administrators. The key challenge for the administrators is to maintain efficiency in these structures in order to keep costs competitive and retain margin. Automation and technology are key to overcoming that challenge. For example, Multifonds has and continues to strategically invest in delivering the flexibility required for alternatives aligned with the control and efficiency for traditional structures.

Another area of growth is the combining of middle office portfolio accounting with back office fund accounting on a common platform. We are also opportunistically following our clients into new countries, and as a result, we now support funds in more than 30 fund domiciles globally.

Lewszyk: As the complexity of deploying funds into multiple geographies eases over time, we are experiencing growth from our clients expanding into non-traditional markets. So far this year, we have gained new business in Czech Republic, Slovakia, Liechtenstein, Poland and Austria. Unsurprisingly, many of our European clients are actively looking at distributing their funds in other European markets.

Our focus, therefore, is to continue supporting our current client base as it moves into new markets in combination with gaining new clients in key European fund management centres. We believe that this can be done most effectively by physically establishing ourselves in these locations. Our first step in this strategy was to open an office in London in May and we will follow this with more offices in other key European locations.

Parker: There is a growing demand for services that sit on the periphery of core fund administration, such as regulatory reporting, investor reporting and interfaces with other platforms. Fund administrators are being asked to do more that represents the potential for increased revenue on the proviso that they are properly compensated to do so. I say this as there is the issue, prevalent already, where fund managers expect the administrator to do more but within the scope of existing commercial arrangements.

Which tools and areas are becoming more imperative to the outstanding provider?

Parker: It is important to have regulatory reporting integrated into the core transfer agency and fund accounting systems, otherwise assembling the reporting data will become an enormous task—one which cannot be done without a huge increase in high-end human resources.

Outsourcing regulatory reporting to a specialist reporting provider or having the manager do it will not significantly reduce the administrator's burden as it is likely it will still be expected to assemble the required data from its financial and transfer agency records.

Lewszyk: There is a continuing and increasing interest in the source and destination of funds and ensuring that financial organisations have industrial strength anti-money laundering and know-your-customer processes in place. Meeting the needs of our clients' compliance functions has become increasingly complex as fully automated solutions now need to incorporate investor eligibility, sanction lists, market timing and frequent trading.

Another area of increasing importance is the interaction with investors, distributors and asset managers, and the conflicting needs of each party. In recent years, there has been a shift in investors' expectations regarding data retrieval. They now expected to be able to manage their bank accounts and investments instantaneously on a range of platforms. Distributors and independent fund administrators need access to their clients' investments together with the ability to understand their income stream. As asset managers expand their geographical reach, there is greater interest in investors' demographics and investment trends.

At Atlantic, we have developed a range of solutions to meet these needs, which range from online solutions running on differing platforms to fully managed straight-through processing.

Hale: What we've seen in the market is that fund accounting, and to a certain extent transfer agency, have become increasingly commoditised. As a result, there is an ongoing pressure within those functions to standardise processes and provide efficient platforms that are as automated as possible.

Middle-office outsourcing, however, lags behind back-office fund accounting by at least 10 years and the market is now only at the point where

Corporates & Markets

What I need is a custodian who delivers integrated solutions focused on my requirements

Custody Services

At Commerzbank we understand that ensuring transparency and accountability for all your asset positions has never been so complex.

That's why we work with you to deliver an integrated service, tailored to your needs in the markets in which you operate. We ensure multi-market expertise in custody, safekeeping, settlement and asset servicing with centralised processes. Our local specialists deliver know-how where you need us to be.

For client-focused custody services that simplify your business, contact us at:
custody.services@commerzbank.com

www.cbcm.commerzbank.com

COMMERZBANK
The bank at your side

firms are considering it as a commodity—so it is not yet ubiquitous across the industry.

The real challenge for administrators moving into the middle office is that they need to expand beyond the fund accounting view of the business—the Accounting Book of Record (ABOR). The view of the world presented to the client by the fund manager, the Investment Book of Record (IBOR), is usually calculated on a different system, often by different people and at different times.

However, both of these views of the same portfolio originate from the same data, just with different criteria and timing. Reconciliation between two systems to provide the ABOR and IBOR views is inherently inefficient. One system, with one database that can supply both views of the portfolio, means that the operational costs of calculating and verifying them are vastly reduced and the need for reconciliation is removed.

Jayawardana: Outsourcing continues to prevail, with much of the operational work undertaken by administrators and third party agents. But, while fund managers increasingly seek outsourced solutions to new operational and technology requirements, it is important to note that they will be unable to outsource responsibility. Managers will remain answerable to both investors and regulators for understanding the delegated party's business model and operational process.

That said, managers are actively seeking solutions that can help them streamline their global operating models. We increasingly see managers looking for a managed cloud or SaaS-enabled service that can scrub, harmonise and manage data from both the administrator and other data providers, as well as store it in a centralised location. Fund managers are looking for the ability to consolidate and repurpose a single set of cleansed and augmented data across myriad platforms and business functions.

Building a solution in-house that can provide real-time, validated data for risk, regulatory, investor and management reporting can be very costly, so we see this as one of the primary outsourcing drivers in the months ahead.

There's tremendous value in being able to leverage data in this way, and it goes beyond reporting obligations. Managers can also begin to identify fund flow trends that allow them to focus their sales teams in the right markets and to offer the most efficient products to attract investors.

What specific regulations are you attending to currently, and which will affect you in the next year?

Lewszyk: We face a number of challenges at the moment from multiple regulatory regimes. We are currently working on tailoring FATCA and AIFMD functionality in our systems to ensure that they continue to meet our clients' and regulators' needs.

In addition, we see the changes announced by UK chancellor George Osbourne that take effect in July around NISAs and junior ISAs as significant opportunities in the UK market. We watch with significant interest to see how the UK investment landscape adapts to the pension rule changes, which will take effect in 2015.

Parker: We have built a comprehensive solution for both Form PF and FATCA into our core PFS-PAXUS product, which has been very well received by our clients.

The current focus is on AIFMD reporting. In talking to our clients, the consensus seems to be that a typical administrator will hold approximately 70 percent of the information that a fund manager will need to report on under AIFMD. Consequently, we are enhancing PFS-PAXUS, our share registry/fund accounting platform, to generate automated AIMFD Annex IV reporting in the required xml format.

Jayawardana: With AIFMD coming into effect this year and the July 22 European deadline approaching, our focus has been to educate both our fund administration and manager clients on the full ramifications of the directive and the scope of work it will require of fund managers' middle- and back-office operations.

Prior to AIFMD's stringent reporting requirements, many alternative investment fund managers' processes for collecting and validating fund regulatory reporting data were very much manual, reliant on disparate systems and multiple teams. Far too many people were touching disconnected data sets, and they lacked shop-wide data visibility.

Managing fund data manually across multiple in-house systems was challenging before AIFMD, but it will be nearly impossible within the short reporting window. Updating back-office processes to manage these new requirements efficiently will be a top priority for the Europe, Middle East and Africa fund industry, and we have seen fund administrators and managers mobilising to enact solutions that can support the complete AIFMD reporting requirement from beginning to end.

Hale: The two regulations impacting our clients most urgently are AIFMD and FATCA.

In terms of AIFMD, over the years our platform has already had to cater for a wider range of asset types and derivatives. We've extended our capabilities to service both long-only requirements as well as alternatives functionality such as asset class coverage, performance fees, equalisation, series of shares and partnership accounting. Three years ago, the alternative fund assets on our investor servicing platform totalled less than $1 billion, but this has now risen to well over $100 billion as our clients have leveraged the platform for long-only and hybrid structures, as well as for pure hedge funds.

In terms of FATCA, we have worked with our clients since 2011 to design, develop and test the requirements. They are now in production with the necessary capabilities for the categorisation, documentation and reporting requirements of the directive. It will also put our clients in good stead for the Auto-Exchange of Information proposed by the Organisation for Economic Co-operation and Development and the other copies of FATCA proposed globally.

Mark Jennis: The repercussions of OTC derivatives reform on collateral access and mobility is high on the agenda of market participants and therefore high on our own agenda.

The new global clearing mandates will significantly increase the number of margin calls by a factor of five to 10 according to latest estimates. Most of these will still be bilateral calls between clearing firms and their customers made in response to clearinghouse margin requirements for customer trades. There will also be a significant increase in the amount of collateral required for a number of reasons, including the fact that clearinghouses require initial margin, which had generally not been the case for most bilateral trades.

Moreover, collateral processing, whether in the context of collateralised trading or financing transactions, is becoming more complex due to financial reform and the need for collateral is expected to increase significantly under the new rules. The market safety and soundness benefits intended by the new rules, whether the Basel III agreement, Dodd-Frank, EMIR or similar legislation in Japan, Singapore and other major jurisdictions, will simply be lost if the global operational infrastructure cannot keep up.

To address this, DTCC and Euroclear, two of the largest industry infrastructures, recently announced an effort to create a joint venture

Solving the European Fund Industry’s Data Management and Reporting Challenges

From a Global Leader with Local Know-how

- Proven regulatory reporting expertise with solutions for AIFMD, Form PF and Form CPO-PQR
- Leading financial reporting solutions designed for scalability, speed and control
- Automated fund expense management for fixed expense environments

Over 40% of leading global investment managers rely on Confluence to meet the demands of today’s information-driven global asset management industry.

Confluence provides transparency and control to the global investment fund industry by automating the creation of financial reports, enabling fair and proportional allocation of expenses across funds and share classes, and eliminating the risks associated with manual processes and spreadsheets while meeting the complex requirements of regulatory reporting.

The Confluence Unity® and Unity NXT™ platform solutions solve the European fund industry’s biggest data management and reporting challenges with proven, local experience and fit-to-purpose deployment options including locally hosted SaaS solutions.

Contact us today at **+352 27 99 97 07** or email **info@confluence.com**

CONFLUENCE®

to bring about a major improvement in global securities and settlement processing—in this case collateral processing. The joint venture will initially focus on launching a Margin Transit Utility (MTU) that will provide straight through processing for the settlement of margin obligations, and on piloting a collateral management utility (CMU) to address the pressing problem of sub-optimal collateral mobility and allocation at a global level.

What are your predictions for the evolution of fund industry back offices?

Hale: The industry in the past has been typified by separate organisations, operational teams, architectures and applications servicing traditional or alternative funds across different asset classes. As mentioned above, we see significantly more consolidation across the market, in particular the consolidation of administrators. We believe the top 40 leading significant administrators will consolidate down the top 20 in the next decade, leveraging on common efficient operations processes and systems.

Lewszyk: We are seeing an increasing standardisation around funds, reporting and regulations across the globe. Asset managers are now seeing that they are able to launch their funds in new geographical territories more easily than before. This has a significant knock-on effect to the underlying administrators that will be required to follow their clients around the globe. Regulatory support will become more complex as more markets are handled together with the associated compliance requirements.

Historically, asset managers wanted to focus on maximising their returns for investors and the growth of independent administrators has allowed them to buy this service as a commodity. It has also allowed for smaller asset managers to operate cost-effectively without significant overheads. As asset managers move into new markets, they will become more reliant on administrators to help launch and administer their funds.

Currently, asset managers need to interact with a number of parties within a new geography to get a fund registered, launched, distributed and administered. Investors will require a localised version of everything from documentation to online access. Atlantic is already working with clients that are introducing funds into new markets and we expect that the scope of the work that we undertake to only increase in the coming years.

Jayawardana: The fund industry back-office of tomorrow will be much more advanced and on a par with some of the advances the front office has made in the last 10 years. Our clients are increasingly looking to leverage systems that automate workflows that have been traditionally handled manually.

Two driving factors are behind this change. First is the increased scrutiny fund managers are under and the resulting need to ensure the certainty and accessibility of data held in the back office. The second, and longer-term, factor is a desire to achieve some of the operations efficiencies in the back office that fund managers have achieved in the front office through the use of sophisticated technology.

Administrators and asset managers will need to bring their 'A games' to the table if they are serious about addressing the lack of automation in the industry. I predict more scrutiny in the fund expense side of the business with automation playing a key role in managers being able ensure that expenses are distributed accurately and fairly across share classes.

Additionally, the ability to leverage a living document concept will help managers save time and resources while helping them ensure their fact sheets, key investor information documents, prospectuses and financial statements are aligned and fit for purpose before they are distributed globally.

Lastly, I cannot stress enough the importance in investing in a regulatory data platform that will help mitigate the cumulative cost of regulation. There is a need to invest in solutions now. The business and revenue opportunity that the era of 'big data' promises will not be realised without a deliberate and diligent management strategy to turn tactical solutions into more long-term strategic data driven initiatives.

I think the common view among fund managers is that return on investments that make the back office operate more efficiently will be felt in two ways: operational costs coming down over time, and new opportunities to win capital allocation by being able to demonstrate to investors a smarter, more robust operating model. That second benefit has the potential to contribute meaningfully to fund growth in the new environment.

Parker: The regulatory demands on the fund industry back-office have become extreme as a result of FATCA, Form PF, AIMFD and tighter anti-money laundering requirements. In addition, there is a risk that local regulators in other jurisdictions will try to compete with the US and European regulators to produce equivalent reporting demands. Meeting these highly complex regulatory requirements will be a major focus of fund administrators over the next few years and managers need to be sympathetic to the inherent cost increases that these regulations impose.

Indeed, the compliance department may become the largest department in a fund administrator, exceeding the resources that are devoted to the fund accounting and transfer agency departments. Administrators that do not have efficient systems for regulatory reporting and compliance will struggle to survive.

Jennis: Some firms already have back-office departments that leverage sophisticated and flexible technology across asset classes. For those firms, it will be important that they review their processes to ensure that they can handle all changes brought about by regulatory reform.

However, other firms do not have the operational or technical expertise or systems to properly support back-office processes—these firms will need to find suitable solutions that can process and manage trades according to the new requirements. In either case, firms must consider the impact on their operations—people, processes and systems—as well as review vendor solutions and industry infrastructure offerings when implementing solutions to address these new requirements.

If we take the derivatives market as an example, a report by Celent cited that half of respondents (48 percent) have not completed operational preparations to address the regulatory requirements for derivatives clearing and collateralisation. And, even among those firms that have made some preparations, 38 percent cited limitations with existing systems as a significant challenge. This situation will need to be addressed since an inability to efficiently manage and process collateral in the new clearing environment is likely to have repercussions on the ability to act on investment decisions.

Ultimately, we will see a growing number of firms adopt STP as well as an increase in the trend towards industry collaboration and community-based solutions as a cost-effective alternative to replacing legacy processes and systems at an individual firm level. **AST**

The key to your hidden assets...

GOAL is the widely-acknowledged industry leader in providing creative products, services and solutions to automate and optimise the reclamation of withholding tax on cross-border securities dividend income and compensation claims on global securities class actions.

It is now more important than ever that investment advisors, trustees and fund managers are able to demonstrate business integrity, financial transparency and strong corporate governance as an integral part of fulfilling their fiduciary duties to protect the assets in their schemes.

Our research demonstrates that just over 24% of class action claims that could be filed by entitled parties are left unprocessed and unrecovered, despite opinion that institutional investors are legally obliged to instigate such claims on behalf of their clients. Historically, non-participation in U.S. securities class actions has cost investors and funds dearly, for instance between 2000 and 2011 nearly USD18.3 billion in U.S. settlements to which shareholders were entitled were not reclaimed.

Goal Taxback will undertake all the work necessary to recover excess withholding tax suffered on foreign income by utilising our proprietary software together with all the knowledge and expertise gained through years of experience in the business.

Goal's clients include hedge funds, several of the world's largest global custodians, asset managers,

private banks, pension funds, high net-worth individuals, investment banks, prime brokers and fund managers spread widely around the world.

GOAL GROUP LIMITED
7th Floor, 69 Park Lane, Croydon CR9 1BG **United Kingdom**
Level 19, Cheung Kong Center, 2 Queens Road, Central, **Hong Kong**
Level 27, 101 Collins Street, Melbourne, VIC 3000, **Australia**

Stephen Everard, Chief Executive Officer
severard@goalgroup.com +44 208 760 7130

Jonathan Hu, Director of Sales & Relationship Management – Asia Pacific
jhu@goalgroup.com +852 9864 7900

Andreas Costi, Director of Sales & Relationship Management – Australia and New Zealand
acosti@goalgroup.com +61 3 9653 7300

Please refer to our website for the contact details of our network of global sales and support agents
www.goalgroup.com

goal group
accelerating investor returns

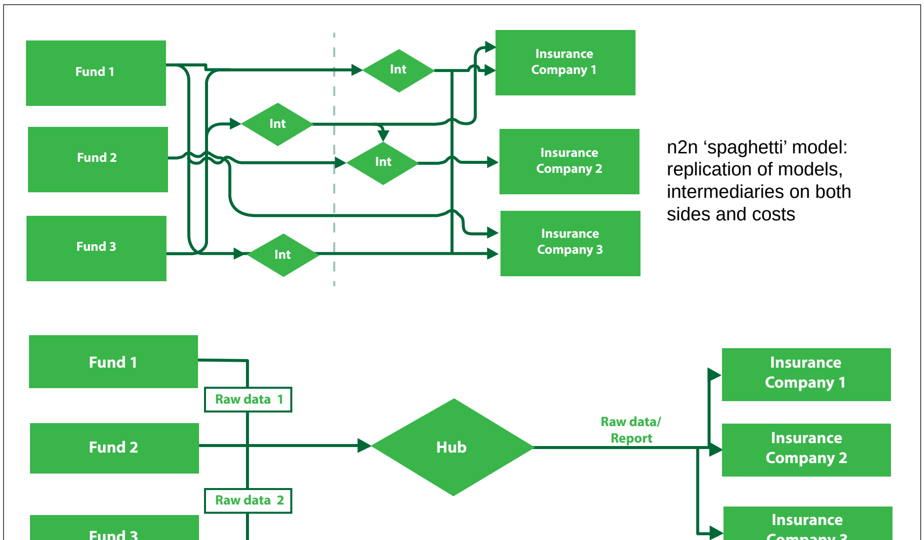
Through the looking glass

What are the key impacts and challenges of 'look through' in Solvency II, asks Paolo Brignardello of Fundsquare

European insurance undertakings have been among the most important investors in the EU, This represents about 50 percent of the total assets under management in Europe and 54 percent of the European Gross Domestic Product.

Investors and policyholders are pressuring insurers to deliver attractive returns at the same time that regulators are pushing them to reduce their exposure. This, in turn, is putting pressure on asset managers, which, in the post-Solvency II world, will be under increasing scrutiny from their insurer clients, as they will want asset managers to maintain optimum allocation as conditions change.

What will asset managers do? Data management will be an integral part of the solvency capital requirements calculation and reporting.



n2n 'spaghetti' model: replication of models, intermediaries on both sides and costs

Market infrastructure for standardisation and interfacing

Market risk related to investments in funds will have to be assessed based on a 'look-through' approach, considering the risks related to each underlying asset.

The essence of Solvency II is to require insurers to provide transparency of their risk and the levels of capital held to cover that risk. All investments held by insurers fall under the market and default risk modules of Solvency II. A look-through methodology is required to measure market risk inherent in any fund.

Under Solvency II, European insurers and reinsurers must have multiple systems in place that are proportionate to the risks in their businesses. These include systems for governance, risk management, and information, with the last one being in place to allow regulators to independently evaluate the insurer.

Industry consequences

A comprehensive look-through to gather the required information will lead to a lower capital charge being applied to an insurer under Solvency II. This has created new requirements for the provision of asset data in the form of new data fields, new data coding conventions, greater granularity of data and increased frequency of reporting.

Insurers will typically have no more than six weeks at each quarter-end to complete their Solvency II reporting and will usually be running some comparable form of Solvency II process at each month-end. There will be very short operational windows for asset managers to ensure quality and deliver data to support these cycles.

The alternatives to the look-through approach are penalised in terms of capital charge. So, Solvency II will be applied at the level of each underlying asset line. Any quality default in delivering required information may cause delays in the solvency capital requirement calculation—even conflicts between the insuer and the supervisor.

Possible solutions

The risk for asset managers is the use of overlapping and divergent models that will add inefficiencies and costs to all of the other burdens that Solvency II generates. There could be a rise in a 'spaghetti' model, an n2n communication flow, with the proliferation of formats, intermediaries and communication models. This will cause additional inefficiencies and costs on top of all the other burderns that Solvency II generates.

Solvency II states that 'external data', ie, data provided to the insurer by a third party, must also be held to these standards, so insurers will expect their data providers to assure them that these standards have been met.

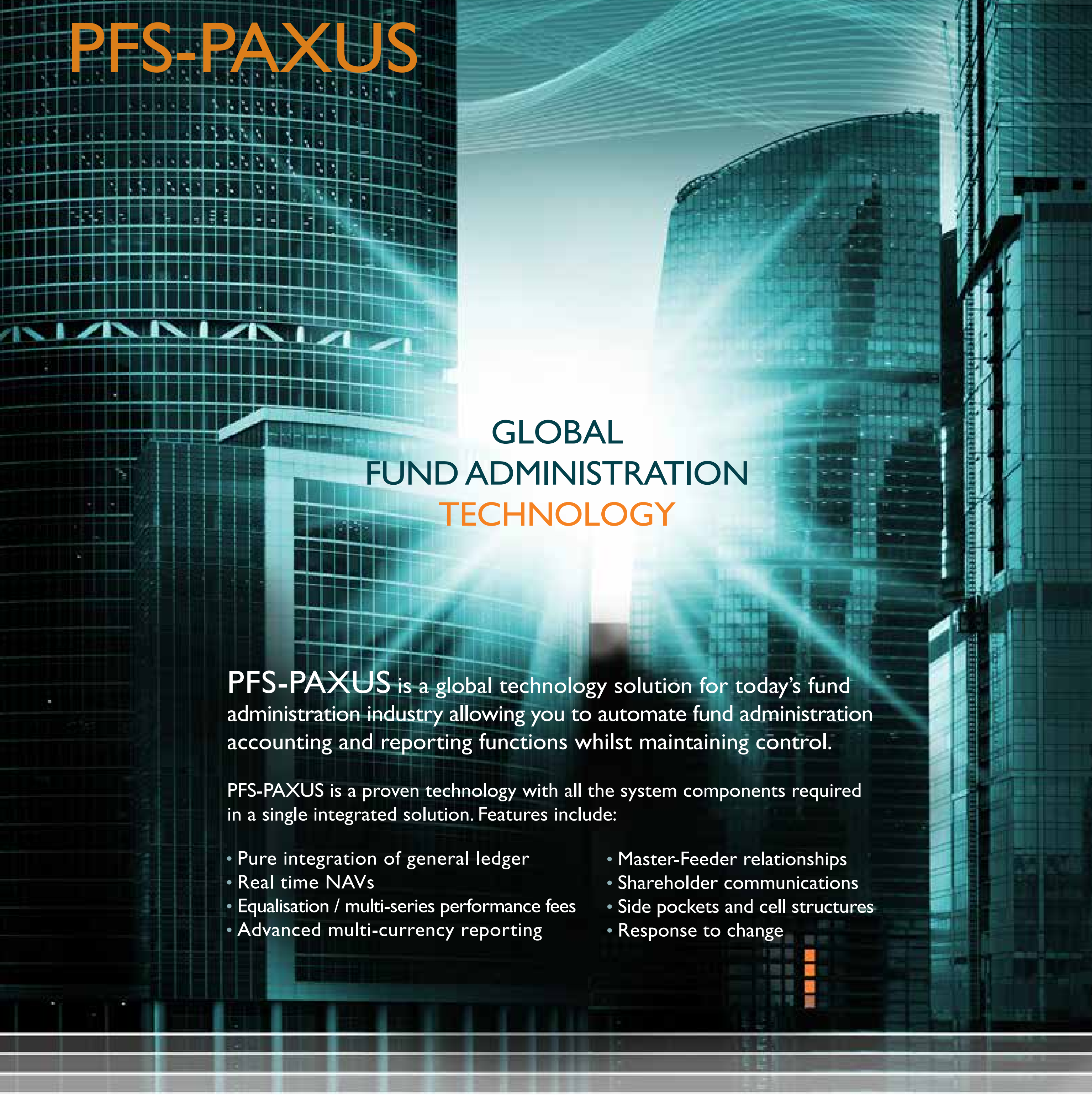
To avoid potential issues, there is a need to be less reliable on intermediaries and in the long run aim to use a central hub that can centralise IT developments and data management. Such an industry model will guarantee efficient standardisation and cost mutualisation, while ensuring that insurers comply with regulatory requirements.

Funds in Europe also need to evolve their fund distribution models to make them more cost-effective and a strong, streamlined operating model will be key to success. This will allow for a single point for data dissemination, as well as shared operational services and harmonised and systematic controls.

From a conceptual standpoint, the reasons for a creating a central utility for look-through and reporting are self-evident. Nevertheless, centralising is easier said than done. Data dissemination and new standard implementations are a complex area and there issues remain that need to be settled before the industry can move on to mutualising efforts.

At Fundsquare, we are convinced that the only way forward is via a central hub. Based on our past experiences with data and information repositories, we believe these challenges can be met and a centralised hub is the way forward for the fund industry. **AST**

Paolo Brignardello
Head of product management and marketing
Fundsquare



Amsterdam • Bermuda • British Virgin Islands • Curacao • Cape Town • Dubai • Dublin • Geneva • Hong Kong
Jersey • Johannesburg • Isle of Man • London • Luxembourg • New York • Sydney • Singapore • Toronto

For the next generation of fund administration software go to
www.pacificfundsystems.com

PACIFIC FUND SYSTEMS

Sleepless in settlement

The changing legislative landscape will force central securities depositories to reinvent their businesses, says Péter Csiszér of Keler Group

Central securities depositories (CSDs) are the institutions for offering a sound basis for the securities industry, given their core functions. These include notary, central safekeeping and settlement of securities transactions as a book entry. Adding to their importance to the securities industry are their ancillary services, such as corporate actions, proxy voting, and dividend, interest and principal processing, as well as securities lending and borrowing, matching and repo settlement, among others.

As CSDs are fundamental to safe and successful capital markets, they are required to be regulated by comprehensive legislation and internal procedures to ensure they stand firm even in turbulent times such as the recent financial crisis. CSDs proved their preparedness and efficient operation during the course of the crisis and the turmoil it caused to the financial markets, and none of them suffered from severe financial problems.

CSDs are designed to not pose any systemic or counterparty risk. Instead, they help market participants and the market itself to mitigate numerous risks. They have to comply with a number of domestic and international regulations, which have evolved rapidly since the collapse of Lehman Brothers through a massive international legislative effort. The most important development is the upcoming CSD Regulation (CSDR), which will, along with the European Market Infrastructure Regulation and Markets in Financial Instruments Directive, make up the legislative framework and establish a level playing field for all European financial market infrastructures.

Besides CSDR and other regulations, the implementation of Target-2-Securities (T2S) is another compliance challenge ahead for European CSDs. The European Central Bank (ECB) decided in 2006 that it would introduce a pan-European securities settlement system with the purpose of breaking many of the Giovannini barriers and making the European securities post-trading industry more effective and European capital markets more competitive. The development aims to bring cross-border settlements on a par with domestic settlements from the perspective of access and expenses.

All of these changes to the environment in which European CSDs will operate lead to harmonisation and transparency of financial markets, and easier access to cross-border services. T2S is widely seen as the driving force for competition, which is supported by the CSDR, creating a level playing field for European CSDs. Centralising European settlement, T2S might endanger the business model of some CSDs, as it removes part of their principal income base, but at the same time it also forces them to leave their comfort zone, diversify their services and look for additional revenue sources.

What CSDs can do to fill the anticipated gaps in their profit and loss statements is strengthen their presence in their home markets, seek new products and markets, and become international service providers, but most importantly, they must put more focus on clients and increase their sales activity. The latter two are especially important for smaller national CSDs, as they are seen as potential losers of this game against large players that are currently commercially driven and so ready for the competition.

As national monopolies might be threatened when competition evolves, CSDs must strengthen their positions in their home markets. They might look to develop new ancillary services, or invest to step up the value chain and offer services similar to those of sub-custodians, thereby targeting a revenue base that they have left untouched, so far to the benefit of custodian banks and other financial intermediaries.

Many CSDs may also seek opportunities outside of their home base and historic scale of services, which is an obvious opportunity that T2S facilitates. However, becoming an investor CSD and offering cross-border services takes time, requires significant investments and efforts, and is only achievable through choosing the right partnerships.

Service developments will have to be paired with a strong client focus and intense sales activity, which is not obvious in national CSDs today.

Doing nothing is not an option anymore for former monopolies, as it would lead to losing market share and clients, and scaling down sooner or later. The time of local shops has gone and CSDs cannot escape competing with each other and banks. In the competitive arena, being fit and having streamlined operations and processes will be crucial to achieving effciency. Innovation and business development as well as sales activity will also become inevitable, in order to achieve economies of scale and make the organisation profitable. AST

Péter Csiszér
Strategic director
Keler Group

... and climbing.

A global player in asset servicing...

Offering leading value in investor services demands constant evolution. At CACEIS, our strategy of sustained growth is helping customers meet competitive challenges on a global scale. Find out how our highly adapted investor services can keep you a leap ahead.

CACEIS, your comprehensive asset servicing partner.

www.munier-bbn.com

Custody-Depositary / Trustee
Fund Administration
Issuer Services

www.caceis.com

caceis
INVESTOR SERVICES
solid & innovative

Market utilities: useless or useful?

It is only a matter of time before one of the larger international service providers realises that service delivery to the retail broker-dealer space sector is not as complicated as many believe, says Denis Orrock of GBST Capital Markets

In recent years, a range of initiatives have been proposed by organisations looking to consolidate back-office processing functions through the establishment of market utilities.

These initiatives have been pursued by groups of member firms looking to establish what can only be loosely called cooperatives. Typically, the initiatives have been born from a group of independent broker-dealers collectively looking to find a way to reduce overall costs through some form of mutualisation. Alternatively, they have been driven by a local exchange itself looking to support their domestic brokers through the establishment of some form of consortium.The driving force behind these initiatives has typically been the need to support the smaller independent broker-dealer networks that are looking for some form of assistance in order to remain in business.

There are numerous reasons why these market participants are exploring business models to support their capabilities, but the big-ticket items are the obvious ones:

- Reduced revenue as brokerage fees and charges have come under scrutiny and price pressure;
- Increases in the costs associated with regulatory compliance and prudential supervision; and
- Increased capital and liquidity requirements.

These factors, together with an ever changing technology landscape, make the outlook for many smaller independent and bank-aligned broker-dealers globally appear more than just challenging—some may describe the future state as being grim.

In evaluating these proposals, questions about the drivers for outsourcing and the functions they are looking to mutualise must be addressed. In addition, the second part of the question is who will assist the new entity to implement international best-practice operational models?

The main driver for outsourcing is obvious: they wish to outsource whatever functions can be performed centrally and which result in changing fixed costs into variable costs that align their expenses with their revenue streams. To be successful, the unit cost of processing must be lower than under the existing model.

The answer to the second part is more complicated. If it means outsourcing to a firm or cooperative that has been established by 'cherry picking' staff from members of the group and which relies on the use of existing technology, it is unlikely that the operational model will be sufficiently different to deliver the productivity improvements required. While this approach may deliver some benefits through increased volume and lower fixed costs per unit, it will still retain many of the inefficiencies and constraints of the existing model.

To deliver the lower unit costs required by participants while at the same time delivering a sustainable ongoing business in its own right requires a fundamental improvement in processing design and execution efficiency.

The establishment of a cooperative or market utility will, of course, go a long way in a market to 'soft launch' the concept of outsourcing, be it on an agency/account operator or third party-clearing (TPC) basis. It is, however, unlikely that the operation will be sustainable over the longer term unless it delivers fundamentally more efficient processing to the extent required to deliver lower unit costs to users, while also generating the revenue required to sustain the new business.

> "Servicing this retail broker-dealer segment has the potential to add significantly to the revenue stream for many of the custodians and clearers that already operate in these markets but currently limit their service to institutional brokers"

If the sole objective of the market utility is to offer the lowest possible per unit processing cost to the members of the market utility, then this objective will starve the utility of funds and sustainable growth opportunities will not be able to be pursued.

The perpetuation of existing processing models, together with the single objective of lower costs, is an unsustainable business model that ultimately will not generate the cash reserves or appetite to invest in the level of technology and intellectual property required to make the business sustainable over the longer term.

The absence of a truly competitive marketplace among third-party clearing or administration providers is resulting in constrained innovation as a race to the bottom takes hold on costs and investment capital. If the rate of innovation is low, those parties that outsource to marginal service providers will fall behind their international counterparts as flexible and innovative services are not on offer and the entities cannot afford to implement them.

A market utility that has emerged from the collective initiative of smaller market participants must establish itself as a profitable business in its own right. While the intellectual theory supporting a coop style operation has merit, the initiative will only thrive if the desire is to create a truly world-class participant that provides value to the consortium members through efficient processing and capital management, and has sustainable profitability targets that will create an asset with external market value. Put simply, the utility needs to foster its own ambition and seek to cut the ties to the collective mothership early in its lifecycle.

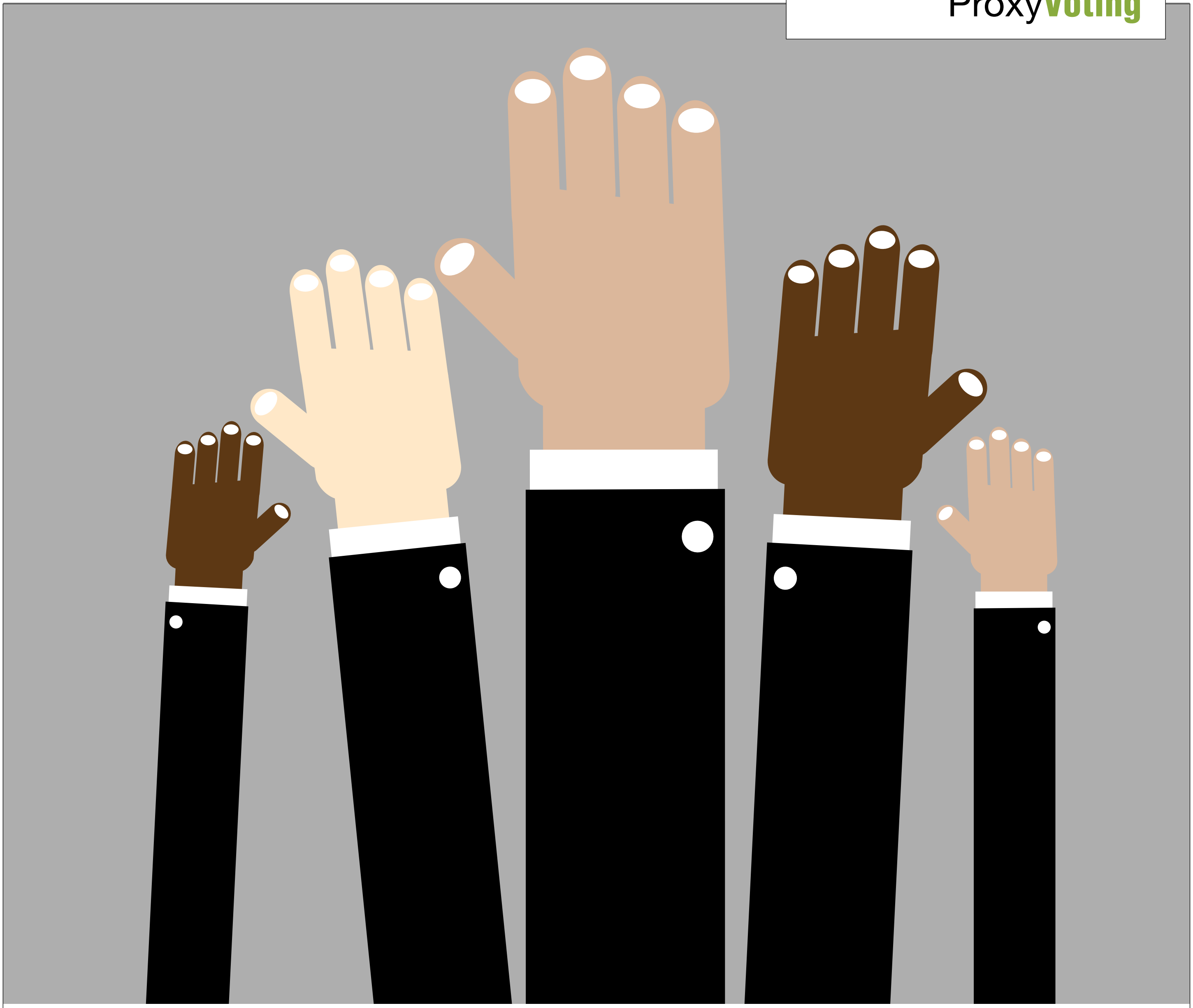
Ideally, market participants should be free to choose between competitive service providers as a means of ensuring that market participants are obtaining the best fee for service and that innovation in service and technology provision will be forthcoming.

The fundamental problem is that this is not the reality. Many initiatives have failed to get off the ground due to a lack of investment from the sponsoring participants and a lack of commitment from the broker community to utilise the services while the initiative is in its infancy. It is also the case that many of the existing clearers or custodians providing outsourced processing do not see the retail stockbroking segment as core to their business—this results in this segment of the industry being largely un-serviced.

It is only a matter of time before one of the larger international service providers realises that service delivery to the retail broker-dealer space sector is not as complicated as popular opinion would have one believe. The technology available to them today can significantly simplify the service delivery. Servicing this retail broker-dealer segment has the potential to add significantly to the revenue stream for many of the custodians and clearers that already operate in these markets but currently limit their service to institutional brokers. The continued growth within emerging markets dictate that a healthy retail wealth industry will follow, so service providers need to be looking forward at the market of tomorrow and not trying to solve the market proposition of today.

This lack of options for retail broker-dealers leaves a hole that needs to be filled. If history is any indication, someone will fill the need with a solution and make a profit from it. The bigger question is who will step in to fill the void and deliver a cost-effective solution and when will they do it? Ideally, this will happen before too many retail brokers are driven out of the market they operate in. **AST**

Denis Orrock
CEO
GBST Capital Markets



Voting transparency: new rules, sharper focus

Investor participation in corporate governance is on the rise around the world

MARK DUGDALE REPORTS

Driven by a growing appetite for greater transparency and accountability in corporate governance, proxy voting has become an important benchmark and significant headway has been made in bringing end-to-end vote confirmation capabilities to market. These initiatives have been prompted by market participants and regulators alike and as market activity levels increase globally so does investor participation in corporate governance.

Disclosure obligations: international reforms

Extended regulation and codes of practice around the world have increased the need for financial institutions, asset management companies, investment and annuity firms to comply with new rules on their investor vote reporting. These guidelines aim to improve transparency and encourage responsible investor engagement by requiring firms to transform their disclosure of proxy voting history to a best practice model.

Since 2010, the UK Stewardship Code has encouraged asset and investment managers to participate in the stewardship of the companies in which they invest. The code was designed to increase engagement and to ensure that investors were playing a more responsible role in all aspects of the process, including disclosure of voting activity.

In September 2012, the Financial Reporting Council (FRC) issued its revisions to the UK Stewardship Code for responsible investment, a change in focus that has had a major impact on asset owners.

The FRC extended vote reporting requirements to apply not only to asset managers, but also to the underlying asset owners, including pension funds, charity trustees and other beneficial owners. These parties now have a responsibility to either actively participate in the process themselves, or be more accountable for the activity of those asset managers acting on their behalf. Key principles of the code require investors or asset owners to “have a

"What's particularly encouraging is that initiatives to improve transparency, accuracy and accountability are happening at a time when markets are experiencing record levels of activity"

Patricia Rosch, president, investor communication solutions international, Broadridge

clear policy on voting and disclosure of voting activity" and "report periodically on their stewardship and voting activities".

In April of this year, the EU Shareholder Rights Directive also underwent revision. The directive is intended to modernise company law and enhance corporate governance in the EU by improving of the rights of shareholders. In particular, the directive focuses on ensuring that shareholders have timely access to the complete information relevant to general meetings and facilitates the exercise of voting rights by proxy. The European Commission notes that the amendments now make it easier for shareholders to use their existing rights over companies and enhance those rights where necessary. This will help to ensure shareholders are more engaged, better hold the management of the company to account and act in the long-term interests of the company.

In Australia, the government introduced the Stronger Super reforms to make the Australian superannuation system more efficient and to help maximise retirement income for superannuants.

The Australian reforms aim to create a new simple, low-cost default superannuation product called 'MySuper'. The intent is to make the processing of everyday transactions easier, cheaper and faster through the 'SuperStream' package of measures, and ultimately strengthen the governance, integrity and regulatory settings of the superannuation system.

The changes also include enhancements to the disclosure and reporting requirements for superannuation. In May 2014, Australian Securities and Investments Commission announced a delay in additional holdings disclosure reporting requirements, which were due to come into effect on 1 July , but fund managers have generally sought to adopt best practice around proxy voting disclosure regardless of the holding disclosure delays. These disclosure requirements are expected to demand consistency and transparency in how information is calculated and reporting is delivered.

In addition, Australia's Financial Services Council, the self-regulating financial service member body, released Standard 13 in 2013, requiring members to maintain voting policies, become more active in proxy voting and to disclose their proxy voting activity. These regulations complement the Stronger Super reforms, and have produced a greater level of guidance and detail, which even non-member fund managers are finding useful to adopt for onshore and global voting activity.

In emerging and emerged markets, greater disclosure and transparency regulations are also a primary focus. The Securities and Exchange Board of India (SEBI) sets out to "protect the interests of investors in securities and to promote the development of, and to regulate, the securities market". A new set of disclosure guidelines for mutual funds and asset management firms came into effect as of 1 April of this year. The guidelines require mutual funds and asset management companies to improve transparency and encourage them to diligently exercise their voting rights in the best interest of unitholders.

Regulation to implementation: market participants driving positive changes

While regulators are writing new rules to provide greater rigor to disclosure practices in markets around the world, participants are collaborating to implement technology-driven solutions, such as end-to-end vote confirmation, to improve vote transparency.

In the US, end-to-end initiatives are being driven largely by an initiative of the University of Delaware, Alfred Lerner College of Business and Economics, Corporate Governance Center. Building on pilot projects conducted in the 2012 and 2013 proxy seasons, this year's initiative was extended to include transfer agents. Four transfer agents and Broadridge are offering end-to-end vote confirmation to 29 issuers representing two million beneficial shareholders.

"End-to-end vote confirmation continues to gain traction in the US. Since we began the pilot projects, we have seen an increase in participation levels. The 2014 project is significant in that Broadridge built a new communication tool that allows various transfer agents to access and exchange information on the end-to-end platform. Fundamental to the success of end-to-end projects is the cooperation between participants. Transparency depends on collaboration and commitment across the entire voting chain," says Patricia Rosch, president, investor communication solutions international, at Broadridge.

Spain was the first EU country to pilot an end-to-end vote confirmation project in 2013. In 2014, the pilot project was expanded. It included the participation of the same three issuers and the registrar, as well as nine custodian firms—three more than the prior year. In 2013, the pilot allowed for confirmation to the global custodian only. The 2014 initiative was enhanced by the distribution of electronic vote confirmations directly to institutional investors. This post-meeting confirmation represents a full end-to-end test of the solution.

"The results of the pilot are extremely positive," says Rosch. "For one of the meetings, the percentage of shares participating in the project grew year-over-year from 2.5 percent in 2013 to 25 percent in 2014. This increased participation is establishing what will become the benchmark for best practices in proxy voting disclosure moving forward."

"We're very excited by the results of end-to-end projects that are happening in the US and Spain," says Rosch. "What's particularly encouraging is that initiatives to improve transparency, accuracy and accountability are happening at a time when markets are experiencing record levels of activity."

She adds: "In 2014, our global proxy business—which represents all markets excluding North America—saw a record high number of annual meetings; over 43,000 were held in over 90 countries. By extension, we also recorded record high volumes in proxy voting. Worldwide, 5.2 million proxy ballots were issued and 4.3 million account holders, representing 3.2 trillion shares voted. These numbers are staggering, and underscore how vital transparent and accurate proxy voting systems are to the capital markets."

"In an environment where volumes of both domestic and cross-border investor activity is so high, it becomes even more important that the systems in place ensure good corporate governance related to proxy voting and disclosure."

Building on this momentum, Broadridge is working with market participants to conduct pilot projects in the UK, Canada and Taiwan. **AST**

Rightful returns

‘Loi Hamon’ is an important advancement in the protection of French consumer rights, and could soon be extended, says Tania Dupoy of Goal Group

France has passed ‘Loi Hamon’ No 2014-244 of 17 March 2014, a wide ranging consumer class-action mechanism. After several decades of stalled debate, France has angled itself as a legislature to watch as Loi Hamon could be extended to further types of redress, including securities class actions.

In its current form, Loi Hanon is somewhat limited. Individuals and law firms are excluded from acting on behalf of a group of consumers and only explicitly listed consumer associations, of which there are no more than 20, may act as a representative. Cases concerning, for example, health and environmental violations may not be brought, only actions concerning the sale of goods or provision of services and competition law violations. Discovery, contingency fees and punitive damages are also barred.

Such restrictions are likely to have been put in place due to reservations expressed by both businesses and the French government about a US style of litigation that often results in huge settlements. However, now there is a class action mechanism in place, time and experience may well see it extended to include further types of redress—Loi Hamon is a significant first step. As quickly as two-and-a-half years following its enactment, proposed changes may well be enacted following a government report reviewing the mechanism that is required to be submitted to parliament.

“The new law includes a mixed simplified fast-track procedure for paying damages to consumers who can be easily identified, such as subscribers to services. At the start of the proceedings, it will be up to the professional that has carried out the illegal practices to identify a group of clients (opt-out). At the end of the proceedings, the consumers must give their agreement to be compensated for the damages suffered (opt-in),” according to Bloomberg.

“The new law will apply immediately to cases that date back five years and are not covered by the statute of limitations. It will not, however, apply to decisions on competition law infringements that can no longer be appealed by the time the law is published.”

France was slow to incorporate class action legislation when compared to other European legislatures such as the Netherlands and Germany, but it may now be able to benefit from better corporate governance and shareholder protection.

Cases are already being processed in France. For example, a joinder of claims of several institutional investors against Vivendi in France is now being brought after it failed to claim damages in the US due to the US Supreme Court’s 2010 ruling in Morrison v National Australia Bank.

Although Loi Hamon does not currently cover securities litigation, and cases seemingly can only be brought by approved associations and not individual people or entities, it is nevertheless an important advancement in the protection of French consumer rights. Time will tell how effective the new law will be, and there is significant potential for it to be extended in the future to accommodate further types of redress, such as securities.

As securities class actions, group and collective litigation mechanisms globalise, investors and trustees must remain vigilant and monitor global opportunities to participate in class actions to reclaim rightful returns—France must now be included as a legislature to watch. Although keeping track of international opportunities and the claims process can be somewhat daunting, there are now specialist service providers that can automate the complex process of class action, group, and collective litigation participation across international jurisdictions. **AST**

Tania Dupoy
Sales and relationship manager
Goal Group


Connect
Collect
Disseminate
SINGLE ENTRY AND EASY ACCESS
TO FUNDS GLOBALLY
FUNDSQUARE
MARKET INFRASTRUCTURE
www.fundsquare.net

The way of the dinosaurs

Collateral management looks increasingly unlikely to go the same way as the oil or gas industries and become a commodity product. Instead, firms will look for providers with broader selling points, argues Robert Almanas of SIX Securities Services

Collateral management is facing increasing scrutiny as firms prepare for the wave of regulatory changes. The US Dodd-Frank Act, Basel III and the European Market Infrastructure Regulation (EMIR) are all set to send ripples through the capital markets. In particular, they call for firms to source and sustain higher levels of capital, placing new and significant demands on firms.

Amid these changes, there is an emerging prediction that collateral management will become commoditised—with service providers looking to drive down costs to secure business rather than through functionality comparisons. However, is a commodity offering really what the market wants or indeed needs? Also, as high-quality collateral becomes scarcer, will a commodity product be able to withstand the demand?

For firms on both the buy- and sell-sides to maintain and even increase their activity levels in light of the changes, they will need to look to optimise their collateral. It's uncertain at this stage how much collateral is involved in this equation. However, various estimates put this to the tune of trillions of dollars. The race for collateral is set to speed up and, as it does, firms will need to be focused on picking the best collateral in real-time.

Preparing for the new wave

The effect of new regulations in the capital markets will result in firms having to collateralise more contracts and also have higher liquidity buffers in place. Undoubtedly, demand for collateral—and particularly high-quality collateral—will increase dramatically.

Of particular note is the new requirement for central clearing of OTC derivatives under Dodd-Frank and EMIR. These will call for new measures from firms, specifically as central counterparties (CCPs) will require initial margin as collateral, the scale of which is expected to be significant. The question now is whether enough of this high quality collateral actually exists and, if it does, is it in the right place to meet the demands? Not only must firms have the collateral to maintain business levels but also to ensure that the markets are safer than before.

Adding to the issue of scarcity, Basel III's new liquidity standards call for firms to have more high-quality assets, while some central banks have locked up collateral in their reserves as part of quantitative easing efforts. Some firms are chasing cash as eligible collateral through the repo markets and those seeking the securities alternative may find much of it out of reach at central securities depositories (CSDs).

One approach that is emerging amid this moving landscape is the possibility of creating the required assets. However, this ducks the issue. Instead of tackling the real problem of how to mobilise collateral, this looks at the worrying tactic of creating new collateral and new securities. The concept that repackaging securities is a viable solution goes against the very principles of collateral management. That is, collateral must be simple, high quality, liquid and easy to value.

Is a commodity product the answer?

As competition for collateral increases and uncertainty remains about where, and if, it might exist, collateral management is at a crossroads. SIX Securities Services recently carried out research into financial institutions across the UK, France and Germany. The results showed that 45 percent of financial institutions believe that collateral management is at risk of becoming a commodity, while a further 30 percent believe it already is a commodity.

Commoditisation is the move towards products and services competing on price differentiation, over and above other factors such as functionality, which have little or no differentiation. In the context of collateral management, the report gives an interesting view. Clearly, commoditisation suits certain markets well, particularly where there are uniform items such as petroleum or electricity. However, is it true to say this of collateral management?

Whether this was true before the crisis is no longer relevant. As regulations expedite change, collateral management providers must compete on a new level. Under particular scrutiny will be risk mitigation, operational efficiency and ease of use. It looks increasingly unlikely to go the same way as the oil or gas industries and become a commodity product. Instead, firms will look for providers with broader selling points.

Effective collateral management

Cost will always be a factor, however, it cannot be the only differentiator, particularly if we consider that collateral management must deliver far more than a single view from multiple collateral streams across silos. If the collateral management system is doing its job properly, firms will be able to control counterparty risk exposure efficiently and mitigate market and operational risks. The bottom line is they should make firms' operations simpler, not just cheaper.

Firms have a range of factors to consider in terms of their collateral management. These include real-time counterparty risk exposures, knowledge of local markets and the quality of the on-boarding process. Also crucial are real-time and multiple asset class functionality, as well as an appropriate level of counterparty participation.

“In the new collateral management landscape, demand will centre on automated, comprehensive solutions that not only deliver on lowering total cost of ownership but also on enabling firms to source the best collateral”

Triparty collateral management, where systems can completely ring-fence a financial institution's assets, is a particular consideration. This approach protects the institution from the 'co-mingling' of assets so that if there is a default in the collateral chain, assets can be easily segregated, identified and returned to their owners.

In the new collateral management landscape, demand will centre on automated, comprehensive solutions that not only deliver on lowering total cost of ownership but also on enabling firms to source the best collateral. Firms will need flexible systems tailored to their needs and able to cope with an array of requests.

As competition for high-quality collateral increases, success will depend on bespoke services that effectively mitigate risk and provide real-time management. Those that equip themselves with the right resources and functionality will be in the best position to thrive and grow. **AST**

Robert Almanas
Managing director for international services
SIX Securities Services

Riva Financial Systems

Nestled away in the peaceful surroundings of the Isle of Man, Riva Financial Systems Limited is a thriving niche software company that is making a big impression on the global asset servicing industry

Valuing the island's enterprising heritage and vision that looks beyond its shores to the world at large, Riva Financial Systems is headquartered in the Isle of Man, with offices and employees also based in Luxembourg, Canada, the UK and India. In this article we learn more about Riva Financial Systems, and its unique transfer agency solution Riva Transfer Agent (TA).

In 2013, Riva Financial Systems announced the news that its Riva TA solution had been successfully deployed across the entire international transfer agency operations of Franklin Templeton Investments.

Representing the single most complex conversion project of its time, the deployment of the Riva TA system supported Franklin Templeton's vision of having a single flexible, portable and scalable solution across the many regions of the globe where its funds are sold and supported and validated Riva's status as a key market player.

Riva TA was the brainchild of a group of experienced industry professionals who recognised that legacy systems were struggling to keep pace with the changing demands of complex new investment products.

Their vision was to create a flexible, cost-effective, comprehensive global transfer agency system solution that leveraged best of class technology and servers, and that was comprised of a range of integrated features that reduced dependency on multiple layers of surrounding technology. The flagship product that emerged from this blueprint was Riva TA.

Suitable for transfer agents and fund administrators, Riva TA is a highly functional dealing and registration software solution capable of supporting the entire investor record-keeping process from start to finish.

A single Riva TA installation can be accessed across multiple administration centres via a URL log-in, and be used to service multiple investment products—from traditional long-only funds through to extremely complex alternative fund structures.

Riva TA improves operational efficiency by promoting a consistent operating model, providing the benefit of a single investor view across all investment products and comprises a range of features designed to make transfer agency operations more efficient, flexible and responsive by design. It offers, among other features:

- A web enabled front-end for ease of servicing,
- Integrated cash management and general ledger advanced functionality;
- Integrated imaging and workflow functionality;
- Complete commission and fee processing;
- Enhanced foreign exchange processing; and
- An open database that is easily accessible and complemented by a shared data dictionary.

To fully complete its value proposition, Riva Financial Systems maintains a team of highly skilled business analysts, software quality engineers and developers recruited from within the financial services industry to ensure that design, implementation and support issues are always addressed in the appropriate business context by individuals with the required expertise.

Riva TA came about through a collaboration of asset management industry professionals, each with extensive knowledge of the business and technical expertise in the field, and because Riva TA is supported by the same team that created the system the level of knowledge and quality of service are exceptional.

A changing landscape

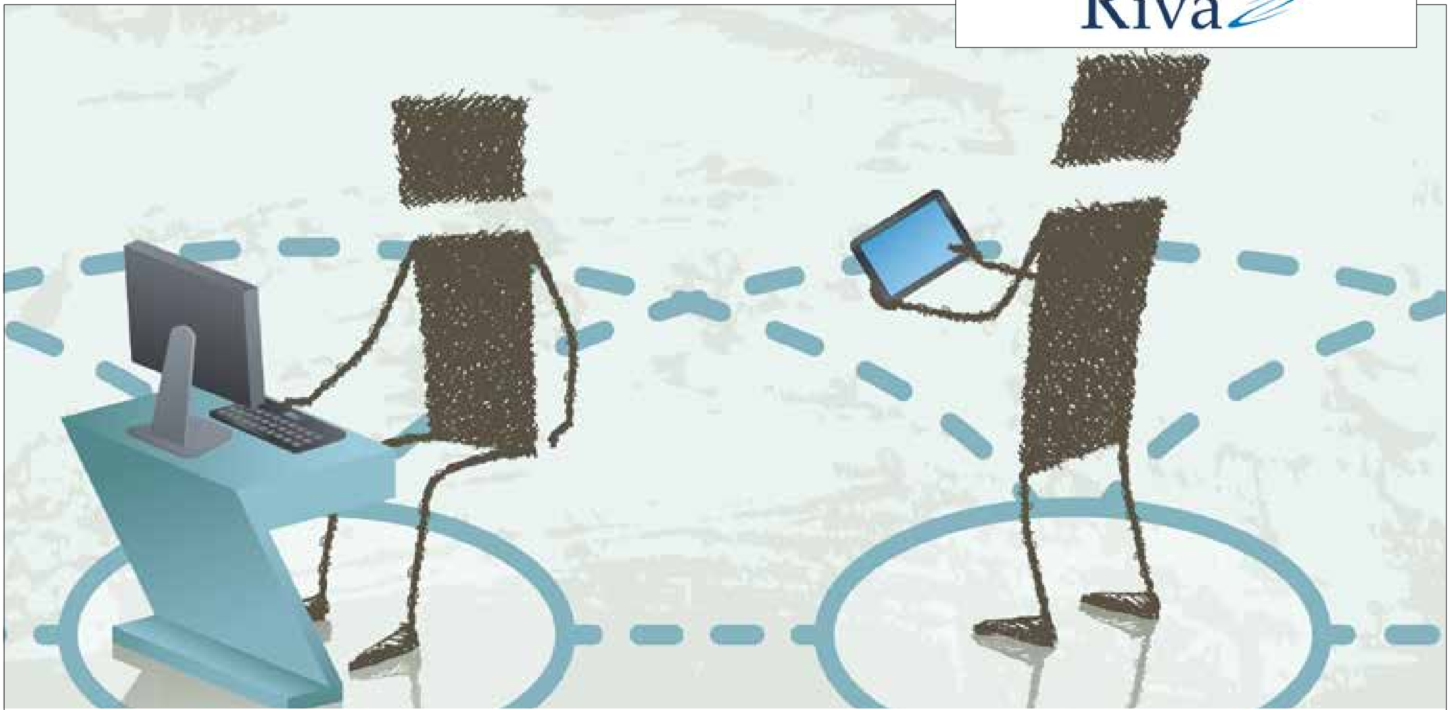
The convergence of alternative and mutual fund attributes, the continuing appetite for globalisation, the pressure to reduce costs, increased transparency and the need to maximise efficiency are all key issues facing the investment and fund industry, and are causing particular distress for those transfer agents reliant upon legacy systems, and those that maintain multiple vendor relationships.

Add to this increasingly complex investment fund structures and a seemingly unstoppable wave of regulatory and tax changes, in an environment where the administration demands incumbent upon and responsibilities associated with the transfer agent role continue to intensify, it is easy to see why the opportunity to utilise the benefits of a comprehensive single transfer agency solution is attractive.

In these changing markets, concerns about risk and cost are at the forefront, however, remaining business agile and operationally efficient to respond to opportunities remains critical.

Riva Transfer Agent

Riva TA comprises a range of features designed to make transfer agency operations more effi-



cient and responsive to client needs and market changes, by allowing customers to consolidate all of their servicing requirements onto a single platform, substantially reducing costs and increasing operational efficiency. The Riva TA single platform view of shareholders, investors, distributors, promoters, financial representatives and institutions results in a highly effective service delivery that capitalises on the distribution models in use.

As a new solution to the market, Riva TA is designed with the latest technology in mind. Its modern service-orientated architecture is platform independent, and from a scalability perspective Riva TA readily expands as volume increases or new acquisitions or jurisdictions are added.

Riva TA is in a class of its own for several reasons:

Riva TA is a global solution: a single instance of Riva TA can be deployed in multiple jurisdictions, including all cross border and offshore jurisdictions, and is not limited to one physical location or fund structure. Riva TA incorporates the different languages, time zones, currencies and the specific parameters associated with each jurisdiction, including the required regulatory and tax rules relevant to each jurisdiction.

Riva TA is a single-system solution: all of Riva TA's functionality exists within a single tiered system—a single database, a core feature set, and a wide range of specialised functions. Based on agreed client requirements, specialised functions are enabled when the system is installed and as business goals change over time, additional capabilities can be switched on within the core solution. There are no extra components to plug in, extra equipment to buy or separate databases to integrate. Riva works closely with every client to determine the right combination of functionality that is needed to support their unique business needs.

Multiple administration centres can be supported by a single database: Riva TA allows clients to operate from multiple offices across international borders and jurisdictions using a single database with 24/7 access, allowing investor accounts to be linked with ease.

One system for nearly any type of fund product: a single instance of Riva TA can be used to service multiple investment products, including the cross-border distribution of a UCITS fund, the domestic distribution of an OEIC or unit trust, the administration of an ISA, in addition to the shareholder services of a hedge fund. Riva TA supports a large variety of investments products, from the small domestic schemes to the internationally recognised traditional and alternative structures.

Riva TA is built for the future: Riva TA is built using modern flexible methods, partnered with scalable server technology. As business processes, legislation and market movements demand more from transfer agency systems, Riva TA's architecture supports rapid, cost-effective change. Riva TA also has an integrated and highly configurable real-time web-based online reporting and dealing platform for investors, distributors and clients.

Comprehensive software solution for cost, conversion, and quality of support: as a comprehensive software solution, Riva TA meets the three most significant criteria for any prospective client: cost, conversion, and quality of support. A highly configurable, flexible, comprehensive, modular single database structure allows for seamless scalability and simple customisation.

Integrated data conversion suite: with Riva TA, the intricacies of conversion were anticipated during the system design and as a result a specific conversion function manages the migration process more efficiently with less risk, allowing service providers to transfer new business directly without the need for the vendor to get involved.

At Riva, we realise how much is at stake when it comes to acquiring a new transfer agency solution, and recognise that considering a different transfer agency system presents asset management companies and service providers with many difficult decisions.

We believe that service providers are better served with a single transfer agency servicing platform across all jurisdictions and product types, however, Riva TA can be just as well utilised if used to service a single product type in a single location.

To-date, Riva TA has proven successful with customers in all three major European jurisdictions, including the UK, Dublin and Luxembourg, and has been successfully deployed across the entire international transfer agency operations at Franklin Templeton Investments.

Learn more

We understand that when it comes to researching shareholder record-keeping technology solutions, it can be a challenge to clearly differentiate one from another.

Should you wish to learn more about Riva TA, please contact us and we can set up a 'phone an expert' discussion, offering you an informal yet detailed conversation with one of our technical experts about any of Riva TA's features or functions.

We would also be happy to arrange an on-site visit, where a Riva representative will visit you to discuss your business needs and determine whether Riva TA is an appropriate solution.

To learn more about Riva TA's potential within your organisation, please visit www.rivafs.com or alternatively please call us on +44 (1624) 850140 or email learnmore@rivafs.com.

IFIA Annual Global Funds Conference 2014

Date: 18 June 2014
Location: Ireland
www.ifiaevents.ie/ifia-annual-global-funds-conference-2014/

The Annual Global Funds Conference now in its 15th year has become a landmark in the international funds industry calendar and attracts a wide range of participants from across the international investment funds community

NeMa 2014 - Network Management

Date: 10-12 June 2014
Location: Hilton Vienna
www.nema-event.com/FKP2359ASTWB

NeMa 2014 is the premier event for taking stock of your strategy in these challenging times, whilst forging invaluable business relationships… with over 450 attendees from the Network Management and Securities industry!

24th FundForum International 2014

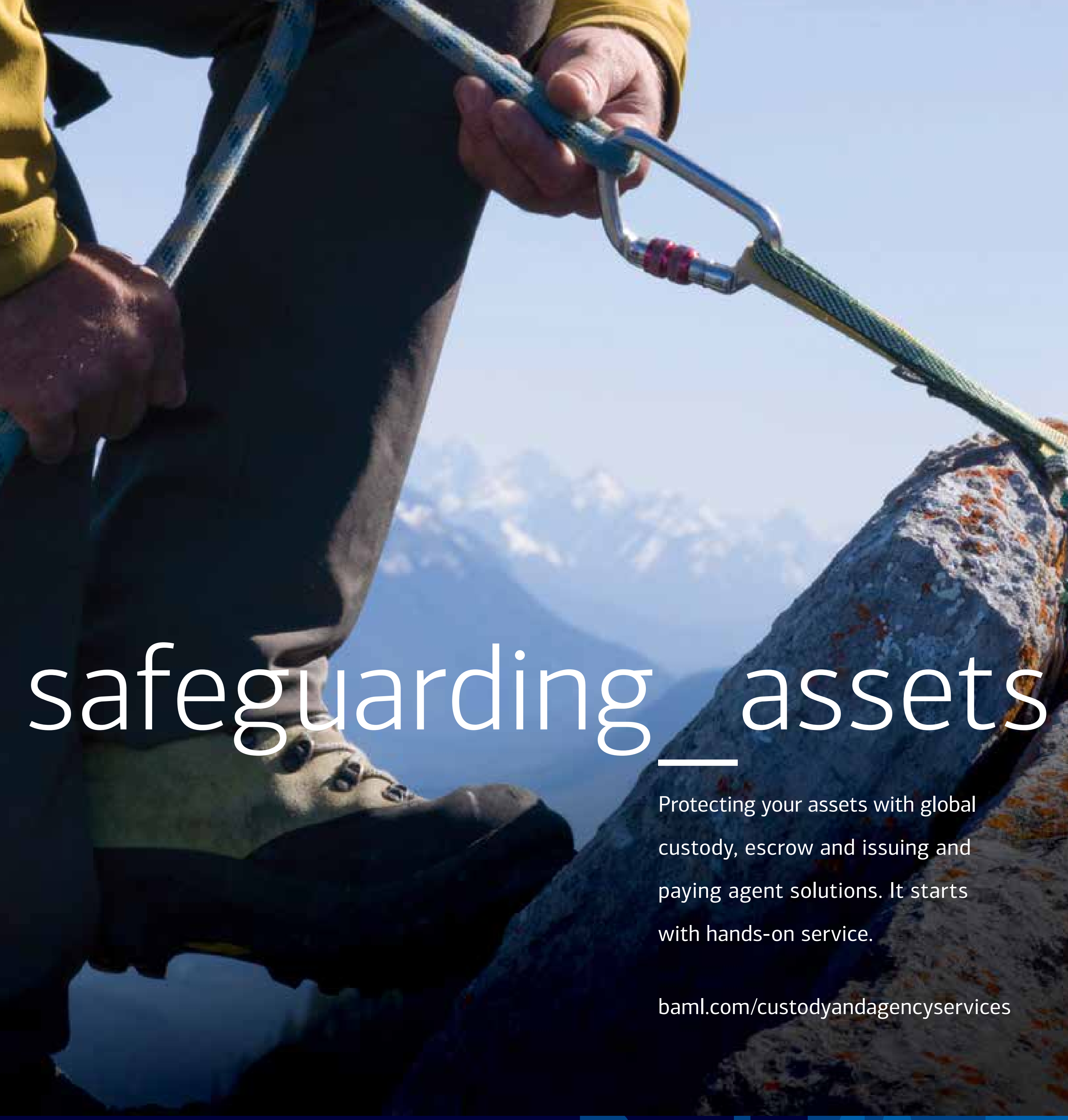
Date: 23-26 June 2014
Location: Monaco
www.fundforuminternational.com/FKN2394ASTWB

Welcome to the NEW LOOK FundForum International. Let us help you navigate the challenges facing the global fund management industry across four days of energised content, conversations and collaboration

THE BEST THING SINCE

- The only dedicated industry title
- Most up to date news and features
- Free access to website and newsletter
- Exclusive news and interviews

For more information visit www.assetservicingtimes.com or email serenafranklin@assetservicingtimes.com



Bank of America Merrill Lynch

The power of global connections

"Bank of America Merrill Lynch" is the marketing name for the global banking and global markets businesses of Bank of America Corporation. Lending, derivatives and other commercial banking activities are performed globally by banking affiliates of Bank of America Corporation, including Bank of America, N.A., member FDIC. Securities, strategic advisory, and other investment banking activities are performed globally by investment banking affiliates of Bank of America Corporation ("Investment Banking Affiliates"), including, in the United States, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Professional Clearing Corp., both of which are registered as broker-dealers and members of FINRA and SIPC, and, in other jurisdictions, by locally registered entities. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch Professional Clearing Corp. are registered as futures commission merchants with the CFTC and are members of the NFA. Ouvidoria Bank of America Merrill Lynch1 | DDG: 0800 886 2000 | e-mail: ouvidoria_bamlbrasil@baml.com Bank of America Merrill Lynch Banco Múltiplo S.A. e Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários Investment products offered by Investment Banking Affiliates: Are Not FDIC Insured • May Lose Value • Are Not Bank Guaranteed. ©2013 Bank of America Corporation 07-13-0959.C

Industry appointments

JTC Group has appointed **Angus Taylor** as group head of fund services.

Taylor will lead the growth strategy for the JTC's fund services division across the international jurisdictions in which the group operates.

Taylor previously served as managing director of the Herald Trust Company. He also held the deputy CEO position for Kleinwort Benson Private Bank.

Nigel Le Quence, chairman and CEO of JTC Group, said: "Taylor has significant knowledge of both onshore and offshore fund administration services and I am confident [that] he will use his skills to drive the fund operations forward."

JTC Group's international funds team has experience in administering non-domiciled fund structures in Guernsey, Jersey, Luxembourg, the UK, the British Virgin Islands and the Cayman Islands.

Dr Patrik Gisel, **Lorenz von Habsburg Lothringen** and **Søren Mose** have been elected to the board of directors of the Six Group.

The trio replaces Christoph Gabriel, Dr Pierin Vincenz and Eduardo Leemann, who did not stand for re-election.

Gisel of the Raiffeisen Group will represent the Raiffeisen regional and savings banks; Lorenz von Habsburg Lothringen of the Bank Gutzwiller & Cie will represent private bankers and banks; and Søren Mose of Saxo Bank will represent foreign banks.

The new board of directors also appointed **Robert Jeanbart** to division CEO of the financial information business area.

He replaces Marcel Bättig, who held the role on an interim basis for almost a year.

BNP Paribas Securities Services has appointed **Justin Burman** as head of asset and fund services (AFS) in Australia.

Burman is responsible for market research and analysis, service offer development and management, product line financial management and sales support.

He has spent 20 years in the industry experience, including senior roles within BNP Paribas, Colonial First State and Ipac.

For the past 10 years he has been product manager and head of registry services at the French bank

Daryl Crich, who was formerly head of AFS, was appointed chief administration officer several months ago, holding both roles until a replacement was identified.

Peter Baker, head of Australia and New Zealand at BNP Paribas, said: "Australian asset owners and fund managers are today facing more challenges than ever before; be it increased regulation, here and overseas, and the need to provide ever-increasing reporting for management and boards as well as improving their risk analysis and response."

"We have made significant investment in bringing world-class products and services to Australia to help our clients meet these demands.

We are delighted to promote Burman to this important role to assist them."

Brad Schoening is to join Doran Jones as part of its senior management team.

Schoening has been a senior technology manager and software architect working with both financial services and technology firms.

Prior to Doran Jones, Schoening was an engineering manager for Coraid, a Silicon Valley cloud-storage solution provider.

Schoening has six software patents for his work at Cisco Systems, and is a certified scrum master and is an adjunct professor of computer science.

Before Coraid, Schoening worked as director of key accounts at Noveda Technologies, delivering cloud SaaS solutions for real-time energy monitoring

Schoening has also consulted at Cisco Systems, leading the desktop client development of Cisco EnergyWise, an Ethernet energy management technology.

Northern Trust has hired a new head of the Asia Pacific region, **William Mark**.

Mark has taken over the role from Teresa Parker, who will assume a strategic role in the headquarters of Chicago.

Mark will lead Northern Trust employees across the Asia Pacific region including Bangalore, Beijing, Hong Kong, Kuala Lumpur, Melbourne, Singapore and Tokyo.

He joined Northern Trust in 2010 where he has been the Singapore country manager. Mark has over 25 years experience in the country's financial industry.

Mark previously worked at the Monetary Authority of Singapore in the reserve management division and at BNY Mellon.

"William Mark's experience and market knowledge in global custody, asset servicing and asset management make him a valuable leader who is well positioned to maintain our organic growth and strong client relationships," said Northern Trust chairman and CEO Frederick Waddell.

BDO LLP has appointed Chris Bellairs as partner in its financial services practice.

Bellairs has more than 16 years of experience as an auditor and advisor in financial services.

He joins from PricewaterhouseCoopers, where he where he led the insurance and investment management internal audit advisory service. **AST**

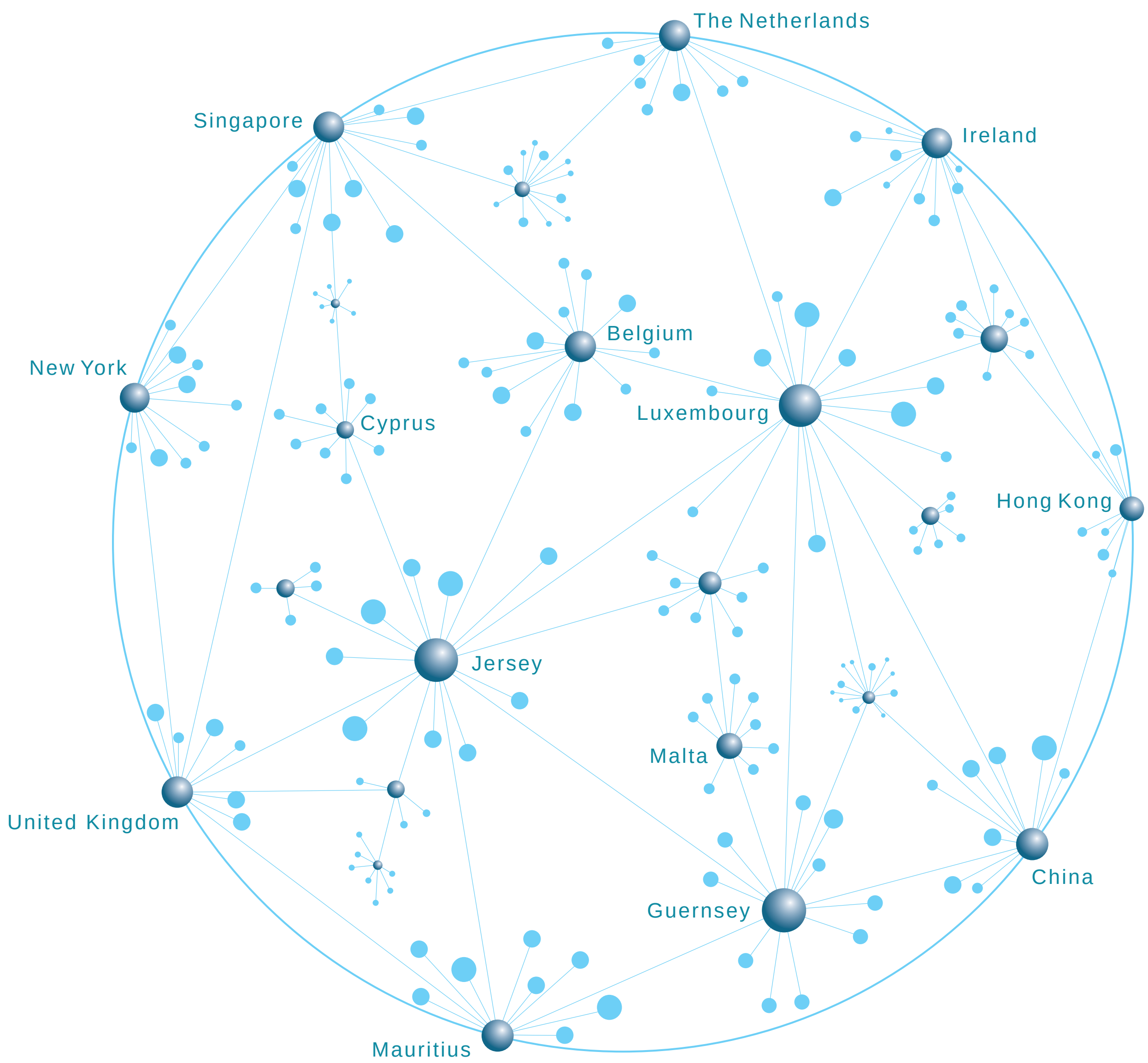
Hornby Chapman

Raising The Bar In Recruitment

Telephone: +44 (0)20 7643 2298 | Email: enquiries@hornbychapman.com
Web: www. hornbychapman.com | Postal: No.1 Poultry, London EC2R 8JR

Leading global provider
of tailor-made administration solutions

Fund Administration – Corporate services



ALTER DOMUS

ACQ GLOBAL AWARDS2012
INTERNATIONAL - ADMINISTRATION SERVICES ADVISORY OF THE YEAR (CORPORATE & FINANCIAL MARKETS)

alterdomus.com


By your side
in a complex world
SELL-SIDE, BUY-SIDE OR ISSUER, WE CAN HELP YOU FIND YOUR WAY
BNP PARIBAS
SECURITIES SERVICES
The bank for a changing world
securities.bnpparibas.com
BNP Paribas Securities Services is incorporated in France as a Partnership Limited by Shares and is authorised and supervised by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the AMF (Autorité des Marchés Financiers). BNP Paribas Securities Services, London branch is authorised by the ACPR, the AMF and the Prudential Regulation Authority and is subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority and regulation by the Financial Conduct Authority are available from us on request. BNP Paribas Securities Services, London branch is a member of the London Stock Exchange. BNP Paribas Trust Corporation UK Limited (a wholly owned subsidiary of BNP Paribas Securities Services), incorporated in the UK is authorised and regulated by the Financial Conduct Authority.