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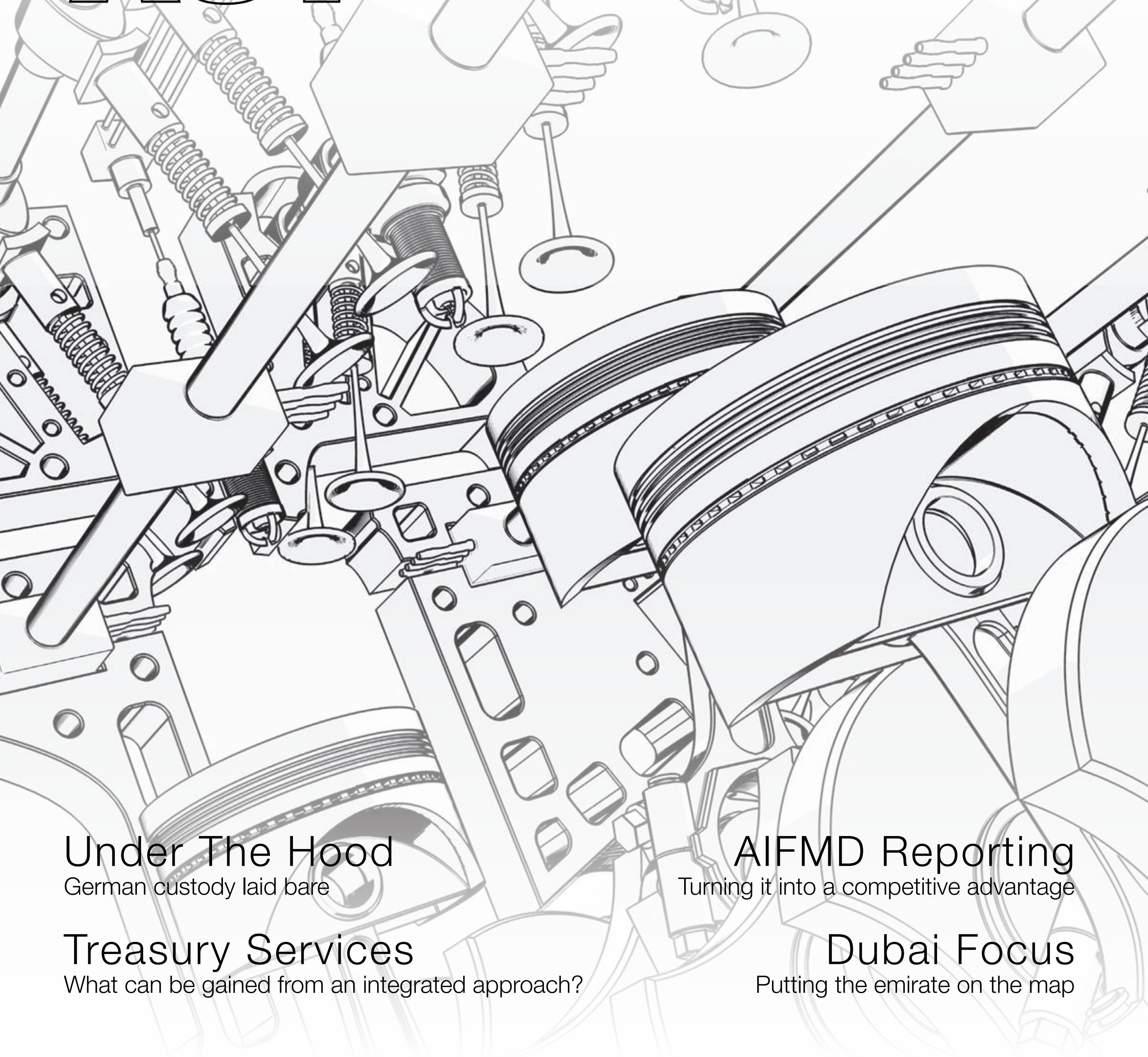

Under The Hood
German custody laid bare

AIFMD Reporting
Turning it into a competitive advantage

Treasury Services
What can be gained from an integrated approach?

Dubai Focus
Putting the emirate on the map

Tide turning for Spain's Interdin with SunGard

Interdin Bolsa Sociedad de Valores has selected SunGard's Valdi Market Access trading platform to support its direct market memberships on the BATS Chi-X Europe exchange.

The order routing service will enable Interdin's clients to access the full depth of Spanish stock's liquidity on multiple venues.

Oscar Sierra, head of prime brokerage at Interdin, said: "The changes in Spain on the distribution of trading volumes and the eruption of market fragmentation had a made substantial impact."

"At Interdin, we see these changes as a great opportunity and our membership of BATS Chi-X Europe as a crucial differentiator to offer a better service to our clients. We selected SunGard for its outsourcing capabilities and also for its expansion versatility to cover our future requirements."

Mark Hemsley, CEO of BATS Chi-X Europe, said: "The tide is very clearly turning in Spain. Brokers and investors alike are aware of the huge benefits they can derive from trading shares on a pan-European platform."

"Our momentum continues and shows that real competition in Spain is now established and growing."

"I am delighted to welcome Interdin on our markets, leveraging our long-standing relationship with SunGard, one of the first independent software vendors to be certified on BATS Chi-X Europe markets."

The Valdi platform addresses the processing requirements of a broad range of users within financial services, with the primary purpose to automate the many processes associated with trading, managing investment portfolios and accounting for investment managers.

Philippe Carré, of SunGard's capital markets business, said: "The Spanish securities market is experiencing transformation, ahead of future clearing and settlement changes, which should further open up the market."

"Local market participants, like many firms across Europe, need the ability to adapt quickly. SunGard's Valdi Market Access service offers the flexibility clients require to help make outsourcing market access easier."

Arrow Capital chooses CIBC Mellon for asset servicing

CIBC Mellon is to be the asset servicing provider for Arrow Capital Management.

CIBC Mellon will deliver custody, accounting and information-delivery services for Arrow Capital's actively managed investment funds, as well as asset servicing support for Arrow Capital's expansion into retail mutual funds for Canadian investors.

Robert Maxwell, managing director and chief financial officer of Arrow Capital said: "With the recent acquisition of BluMont Capital, we sought to consolidate custody and fund accounting with a single best-in-class provider."

"We chose CIBC Mellon for their responsive client service in the Canadian market, robust technology and global market access through BNY Mellon. We are looking forward to leveraging their solutions as we continue to build success for our investors."

Shane Kuros, vice president and head of sales at CIBC Mellon, said: "We are pleased to welcome Arrow Capital Management as a CIBC Mellon client, and we look forward to serving them as they continue to expand their offerings to Canadian investors."

"We're very excited to support Arrow Capital's existing range of actively managed investment funds and to work with them as they build for the future.

CSD milestone for BNY Mellon

CME Clearing Europe is to be the first external client of BNY Mellon CSD SA/NV, the company's Belgium-based central securities depositary (CSD), with the first securities transaction settled in late August.

Article 47.3 of the European Market Infrastructure Regulation requires that margin collateral for a central counterparty (CCP) must be segregated and held by the operator of a recognised securities settlement system, such as BNY Mellon CSD.

Lee Betsill, CEO at CME Clearing Europe, said: "Our relationship with BNY Mellon CSD is important to us because it means that clients can benefit from an additional option in respect of CME Clearing Europe's collateral protection models, which will in due course include our new fully segregated account structure."

"This structure ensures that collateral held at a [CSD] is fully segregated at the individual client level, which provides an enhanced level of collateral protection for all scenarios in the event on bankruptcy."

Chris Prior-Willeard, CEO of BNY Mellon CSD SA/NV, said: "Our appointment by CME Clearing Europe is a key milestone in the on going development of our CSD proposition and demonstrates the market recognises the value and innovation we bring to the post-trade infrastructure space."

"We are committed to establishing further links to support CCPs in managing and accessing a

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wider range of collateral, as well as offering settlement for all market participants."

ASEAN brings BNP Paribas and Maybank together

BNP Paribas Securities Services will provide fund servicing solutions to Maybank Asset Management Singapore.

Services will include global custody, fund administration, reporting and trustee services.

The appointment comes as Maybank prepares to launch a range of funds compliant with the Standards of Qualifying Collective Investment Scheme framework, the Association of the Southeast Asian Nations (ASEAN) funds passport scheme.

The ASEAN passport scheme is a set of common standards formally agreed in 2013 by the Monetary Authority of Singapore, the Securities Commission of Malaysia and the Exchange Commission of Thailand to facilitate the cross-border offering of collective investment schemes to retail investors in the three countries.

Funds that meet the requirements will be qualified for the passport and will be able to offer their funds directly to retail investors under a more streamlined approach in the passport member countries.

Nor Azamin Salleh, CEO of Maybank Asset Management Group Berhad, said: "We are collaborating with BNP Paribas's strong presence in Singapore and local expertise make it a suitable partner for us as we need quick time-to-market solutions to significantly expand the distribution reach of our innovation range of funds across South East Asia."

Mostapha Tahiri, head of BNP Paribas Securities Services Singapore, said: "We are delighted that Maybank has selected us to support their ASEAN ambitions. As a strategic partner, we want to help Maybank to harness the opportunities arising from the ASEAN funds passport scheme."

"We have further extended our range of award-winning solutions to [RMB qualified foreign institutional investors] and shariah-compliant funds, which should benefit from the strong cross-border inflows under the scheme."

"The ASEAN funds passport scheme is one of several new mutual recognition frameworks that will facilitate greater cross-border offerings of funds. We are anticipating significant growth over the next five years and are actively working with local regulators to define the future of funds distribution in the region."

Automation no longer Rare in Australia

Rare Infrastructure has gone live on the Calastone fund network following increasing efficiency of the Australian fund industry through the use of Calastone's automated processes of fund/platform communication.

Calastone will automate the flows from participating platforms and custodians into Rare's global listed infrastructure fund range.

Head of distribution at Rare, Matt Dell, said he looked forward to the improved service it will bring to both existing and future customers.

He added: "This is a sensible business decision. By partnering with Calastone out clients will benefit by improving efficiency, saving time and making it easier to do business."

Calastone's managing director for Australia, Shannon Bernasconi, said: "These benefits are real and make themselves felt at all levels. We passed the tipping point of automation of the Australian fund management industry some time and ago and are enjoying consistent momentum."

"As we add new products, like distribution income and tax statements, we look forward to further boosting efficiency and transparency for the industry and its investors."

RBC is sub-custodian for Societe Generale Canada

Societe Generale has retained RBC Investor & Treasury Services as its sub-custody bank in Canada.

RBC Investor & Treasury Services has extended its 20-year relationship with Societe Generale by becoming sub-custodian in Canada for additional businesses within the Societe Generale group based in the US and Italy.

RBC Investor & Treasury Services is the largest provider of custody in Canada, with just over 40 percent of assets under administration.

Moody's gives DTCC subsidiaries highest rating

Three subsidiaries of the Depository Trust & Clearing Corporation (DTCC) have been recognised for their superior creditworthiness and risk management capabilities in meeting their clearing and settlement obligations.

Moody's Investor Services has given its highest issuer ratings to the Depository Trust Company (DTC), the National Securities Clearing Corporation (NSCC) and Fixed Income Clearing Corporation (FICC).

Each of the subsidiaries received "Aaa" long-term and Prime-1 short-term issuer ratings for their strong risk management processes and the role each clearing agency plays in the post-trade operations supporting the US financial markets.

In addition, the ratings were also given for their ability to meet clearing and settlement obligations to counterparties during periods of financial stress, including member defaults.

In a recent announcement, Moody's said: "DTCC's subsidiaries' dominant and entrenched positions in post-trade services as well as their robust default management framework."

The announcement also cited the handling of the Lehman collapse as "proxy for their operational and risk management resilience" with processes that protected other members and the firms themselves from the loss during that event.

Michael Bodson, CEO of DTCC, said: "We are pleased Moody's has recognised DTC, NSCC and FICC as financially sound, stable and trusted clearing agencies."

"DTCC has long been committed to protecting the stability and integrity of global financial markets, and these ratings are an acknowledgement of the robust risk management and financial controls that we have implemented across the organisation."

Maples acquires Vistra Hong Kong and Singapore

Maples Fund Services has acquired the Hong Kong and Singapore operations of Vistra Fund Services.

Employees at the Hong Kong and Singapore locations will retain their jobs, with the aim of fully integrating them into the existing Maples Fund Services teams.

Subsequent to the sale, the senior management team at Vistra will maintain their roles.

Ivo Hemeraad, global head of Vistra, said: "We believe Vistra FS will be a good fit with Maples Fund Services, who will be able to further accelerate its already impressive client intake across Asia."

"We are pleased that the client servicing and future of the staff is assured under Maples Fund Services."

Performance reporting solution for asset managers

Broadridge and Bi-Sam have launched Investment Management Solutions Performance Reporting for institutional asset managers.

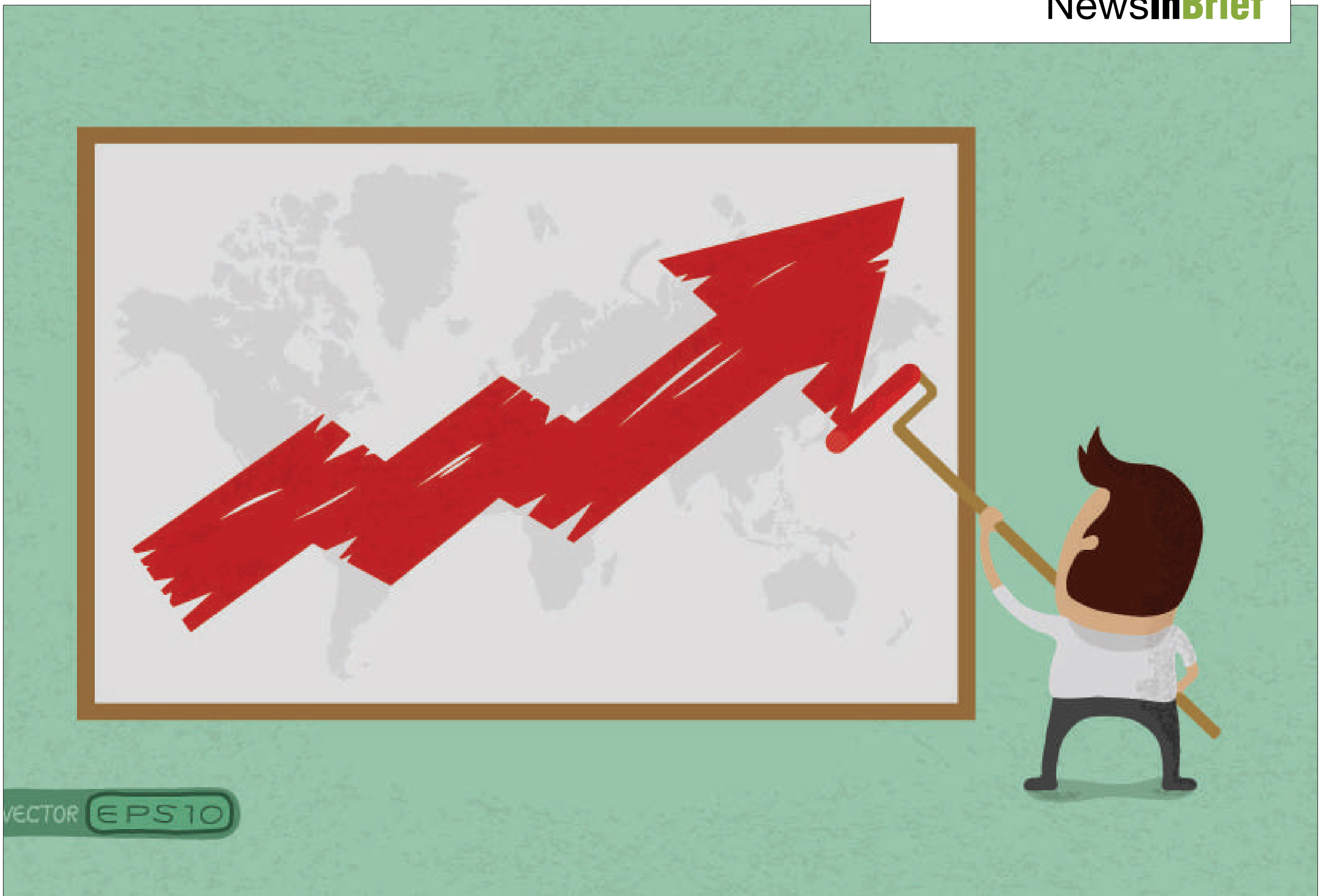
The solution allows asset managers access to performance and attribution as part of an integrated suite that includes order management, portfolio management, risk reporting and a data warehouse.

Investment managers using the solution will receive customised daily performance calculations, powered by Bi-Sam's B-One performance calculation engine and Broadridge's investment management technology.

The solution provides complete performance reporting and attribution analysis across multiple asset classes and dimensions of the business, including real time-weighted returns at multiple levels, internal rates of return at fund level, benchmark comparisons and market segment decomposition.

The solution also displays performance metrics conveniently in summary grids and charts, which can be viewed on mobile devices.

"There is increasing demand across the investment management industry for more extensive performance reporting and measurement, deliverable without the need to significantly increase



technology and operational support," said Bennett Egeth, president of Broadridge Investment Management Solutions.

"Our solution enables hedge funds and investment managers to meet complex reporting needs through an integrated and customisable tool that eliminates data silos and allows them to increase operating scale and focus more on enhancing their returns and raising new assets."

"Clients are looking to consolidate their providers and simplify their infrastructure. This is a major step towards that."

Alexandre Harkous, CEO of Bi-Sam, said: "By combining our award-winning B-One platform with their unmatched technology, Broadridge's clients will benefit from a powerful, integrated performance reporting solution that helps firms identify and track sources of performance regardless of asset type or portfolio construction."

Truston automates with Omgeo

South Korea's Truston Asset Management is standardising its domestic equity post-trade processes with Omgeo Central Trade Manager (CTM).

Omgeo CTM is a post-trade platform for the central matching of domestic and cross-border equity, fixed income, exchange-traded derivatives (futures and listed options) and synthetic equity swaps.

The implementation of Omgeo CTM is in support of Truston's growing domestic equity trading volumes and to reduce manual processes and risk in its broker confirmation and custodian settlement notification processes.

By having an automated central matching and settlement notification capabilities, the firm can reduce manual intervention, improve operational scalability and foster trade-processing efficiency.

The system will also allow Truston's to improve same day affirmation rates, lowering risk and enhancing settlement efficiency.

Truston will also enrich its standing settlement instruction (SSI) using Omgeo Alert, a global database for the maintenance and communication of account and standing settlement instruction.

The adoption of Alert will allow Truston to automatically share account and SSI data with its counterparties.

Lee Sung Won, senior executive vice president, head of management strategy department at Truston, said: "We are pleased to announce our partnership with Omgeo. Since implementing Omgeo CTM and Alert we have seen a significant reduction in our workload, reducing operational risks, resource demands and manual processes in both the confirmation/affirmation SSI data enrichment processes."

"We believe that Truston is now a few steps ahead of its competitors, and we are expecting increased investment opportunities in the near future."

The Depository Trust & Clearing Corporation's executive director of sales and solution delivery for Asia, Nellie Dagdag, said: "This is a natural operational progression, as firms look to implement single post-trade processing platforms across asset classes and markets."

"As [South] Korea continues to rebound from the effects of the global financial crisis and as volumes grow, we expect to see further adoption of Omgero's best practice solutions."

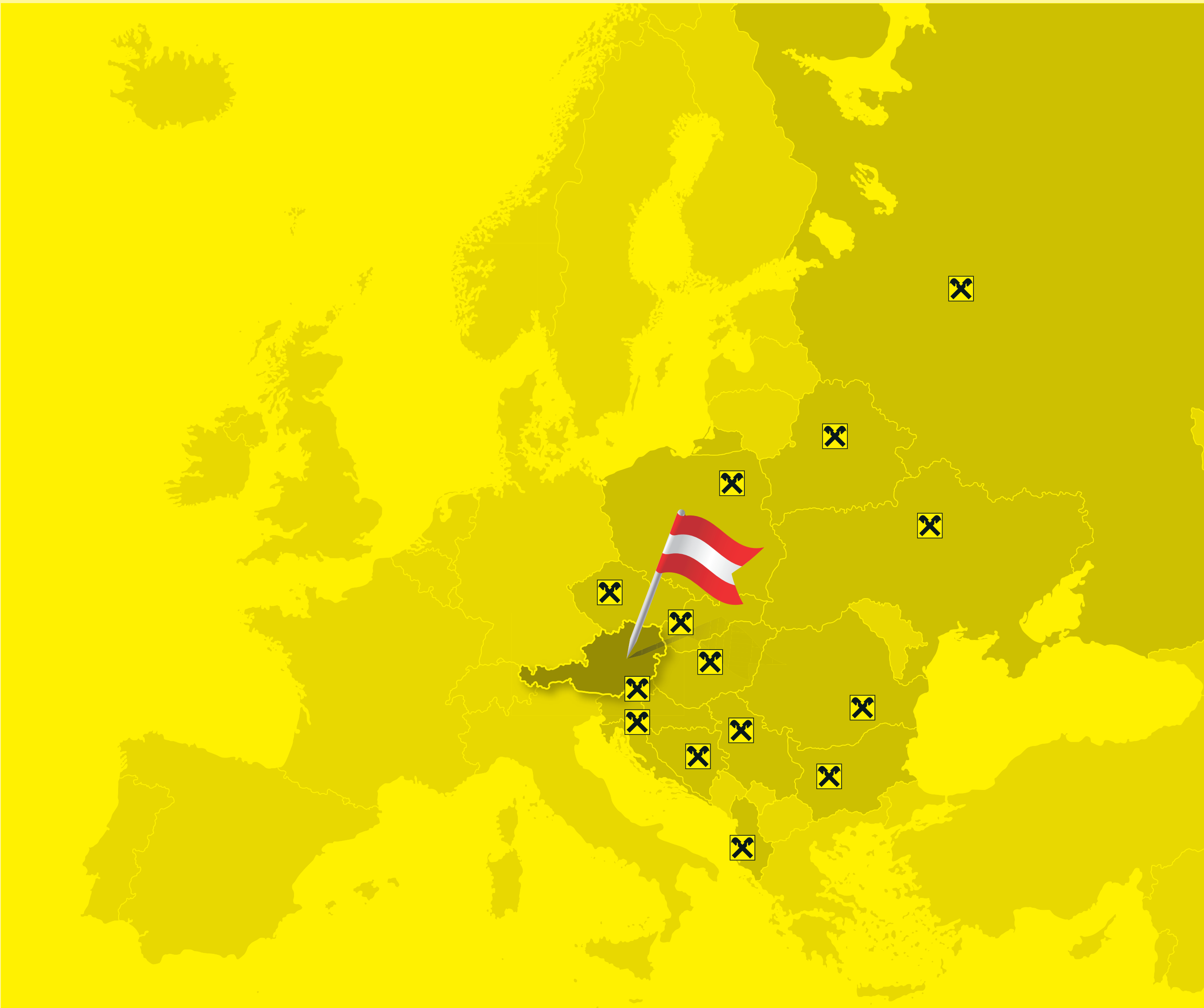
Liquid alternative investments growing fast, says Deutsche Bank

The number of investors allocating to liquid alternative investments has grown to 51 percent year-on-year, according to a study from Deutsche Bank.

The study, From Alternatives to Mainstream (Part Two), saw almost three quarters of alternative UCITS investors and nearly two thirds of investors into alternative '40 Act mutual funds planning to increase allocations.

Liquid alternative investments are the fastest growing part of the asset management industry. With net inflows into liquid alternatives predicted to grow 44 percent over the next year, it translates to $49 billion in new flows.

Alternative UCITS assets have grown more than 40 percent annually since 2008 and the



fundamental equity long/short, event driven and global macro are the most popular strategies for investors allocating to alternative UCITS and alternative '40 Act mutual funds.

Alternative mutual funds in Europe have grown 38 percent annually during this period, compared to 9 percent for the US mutual fund industry.

The hedge fund industry has grown 13 percent and the wider European UCITS industry only 2 percent.

Anita Nemes, global head of capital introduction at Deutsche Bank, said: "Liquid alternatives are the fastest growing segment of the asset management industry. This presents a significant opportunity for investors to access better risk-adjusted returns, and also for hedge fund managers who are increasingly becoming solution providers to their investors."

The study surveyed 212 investor entities worldwide managing more than $804 billion in hedge fund assets and 86 global hedge fund managers representing $6 trillion in firm wide assets.

SunGard to help Asian firms adapt to change

A group of financial services firms in Singapore have migrated their operations to SunGard's managed services.

Using SunGard's services, the group will be able to optimise performance, boost cost efficiencies, leverage new technologies and focus on serving their clients.

Firms that have chosen to use SunGard include the Securities Association of Singapore, made up of AmFraser, CIMB Securities, BDS Vickers, DMG & Partners, Lim & Tan, Phillip Securities and UOB Kay Hian.

Already using SunGard's Valdi trading platform, the firms will now run the latest version of the solution as a managed service co-located at the Singapore Exchange.

Nasser Khodi, managing director in the Asia Pacific at SunGard, said: "Asia's trading landscape continues to evolve with cross-asset and multi-market trading. As such, many firms in the region are looking to rationalise technology vendor relationships to support their spectrum of software and service requirements."

"This helps them to leverage third party expertise so they can focus their efforts on core business strategies that enable them to successfully capitalise on this market change."

He added: "By providing a combination of software and technology services, SunGard is committed to helping all of these regional firms grow their businesses by providing their clients with enhanced trading solutions to fit their changing needs."

EFAMA records largest UCITS rise since 2006

The European Fund and Asset Management Association has registered the largest long term UCITS inflow since Q1 2006.

The increase has pushed the net inflows to €152 billion, a high increase from €138 billion in Q1 2014.

On the decline for Q2 were bond funds, which reduced to €56 billion from €61 billion in the previous quarter, and net inflows to equity funds that fell €3 billion to €24 billion.

UCITS net funds remained high at €130 billion and the combined assets of UCITS and non-UCITS increased 4.6 percent to €10,617 billion at the end of June. This means that since the end of 2013, total net assets of UCITS and non-UCITS have increased 8.4 percent.

Overall, UCITS recorded net inflows of €283 billion for the first half of 2014.

Chapman's Eye on the market

Trial by travel

Travel, whether we like it or not, is an integral aspect of life in the asset servicing world. As a truly global business, firms and clients are based in every corner of the globe and for most people—certainly those who have client-facing responsibilities—most weeks see a requirement for a trip to an airport for a short-, medium- or long-haul flight. Some people love the concept of someone else paying for them to see foreign lands, while others see it as unwelcome encroachment upon their personal time, which involves reluctantly being away from loved ones. For those who have a purely domestic client base, the train might well be the preferred choice of travel, or the Tube or DLR for those in London.

Whatever the means of travel—and I'm thinking from a purely UK perspective on this one—it is evident that we are very poorly served by the choices and quality available and are obliged to put up with inefficiency and discomfort at every turn. Airports are increasingly congested and have morphed into pseudo-shopping malls, significant delays are commonplace and prices extortionate. There was a time when train travel was a pleasure—the 'Golden Age' of transport, however, whether it is paying the eye-watering cost of taking the Heathrow Express, struggling on an over-packed and leaf-delayed commuter train, or paying a king's ransom for a last minute longer distance train, it is clear that those days are long gone.

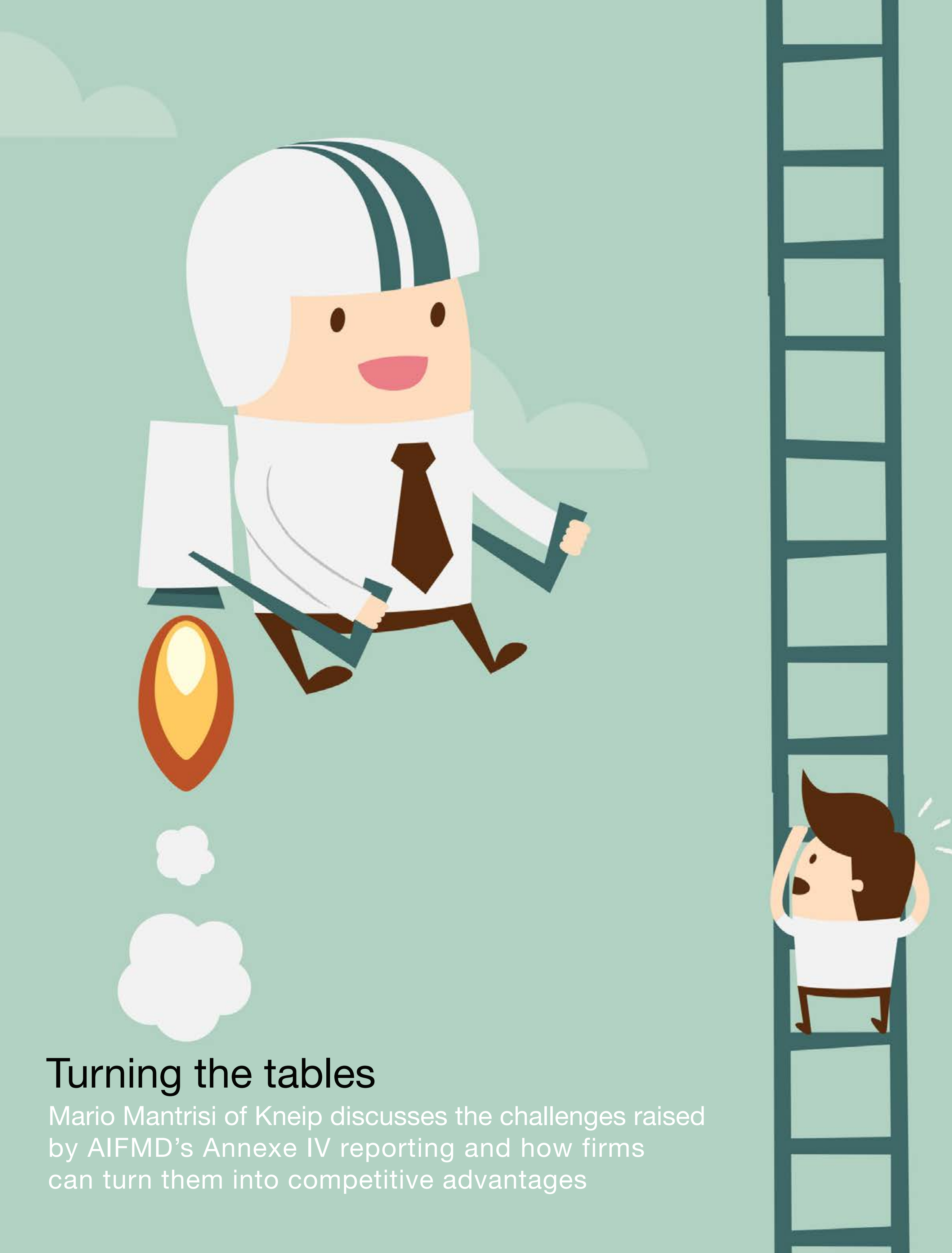
As a small, island nation whose transport infrastructure had its formative period in the Victorian era, we should be well-positioned to have a highly efficient and integrated transport system, however, due to years of under-investment, nationalisation and short-sighted politicians, we are lumbered with a disjointed system that is an annoyance to everyone and the envy of no-one. Since the days of Dr Beeching's cuts in the late 1960s, which saw feeder lines cut across the land, to ongoing and interminable wrangling over extra airport capacity in the south east of England, there has been a lack of foresight and decisive action that has resulted in our current parlous and unenviable position.

There have been few bold initiatives that have caught the imagination of the travelling public, but one that I think would bring huge benefits would be the creation of 'Boris Island' in the Thames Estuary. It would prevent planes having to fly over Central London, bringing noise pollution to several hundred thousand on a daily basis as well as freeing up Heathrow to become a central, well-connected business park.

Funding could come from diverting finance away from that disastrous white elephant that is HS2—whichever joker thought that that it would be better value to spend £83 billion upgrading a trainline between London and Birmingham to reduce travel time by 29 minutes by the late 2020s has a very poor grasp of what this country needs.

As ever, space prevents me from expanding on these concepts—or to wax lyrical about how efficient airports such as Singapore's Changi or Hong Kong's International Airport on Chek Lap Kok are a pleasure to use—but if you do have a comment then feel free to drop me a line at paul@hornbychapman.com. Safe travels!

Paul Chapman, managing director, HornbyChapman Ltd



Turning the tables

Mario Mantrisi of Kneip discusses the challenges raised by AIFMD's Annexe IV reporting and how firms can turn them into competitive advantages

Given that many alternative investment fund managers have now applied for their licence under the Alternative Investment Fund Manager Directive (AIFMD), efforts are shifting towards the practical implementation of the regulation and the first hurdle of Annexe IV regulatory reporting is currently the hot topic for much of the industry.

While it is understandable that the immediate focus is on ensuring that transparency reports are completed in time for the first deadline in October, alternative investment fund managers should also think about how they can turn the transparency requirements—and how they use their data—into a real competitive advantage.

So what are practical challenges for Annexe IV reporting? Alternative investment fund managers tackling the issue have undoubtedly found that there is not necessarily a straightforward method. The reporting touches on a multitude of areas and therefore requires a cross-departmental approach to managing its implementation.

Following a thorough analysis of where the data needs to be extracted from, it may become apparent that certain data is not readily available in any of their systems or has not been calculated, as per the European Securities and Markets Authority (ESMA) guidelines. The data management challenge should not be underestimated.

Most commonly, the challenges will arise from risk calculations and market allocation (such as market identifier code (MIC) attribution), sub-asset type allocation as per ESMA codes, and assets under management (AUM) calculations. AUM must be calculated based on absolute value, while some derivatives need to be valuated at notional value. To that end, in many instances the AUM will need to be recalculated accordingly.

Furthermore, the consolidation of AUM at the alternative investment fund manager level can be a tricky exercise for those using several administrators—especially for cross investments between funds of the same manager. All of this makes the AUM monitoring used to determine the reporting frequency a very challenging task. For the ranking of the major markets, an allocation of an MIC code level for many instruments is required.

Very often, when instruments have been traded on several markets, the breakdown of the MIC allocation is not available. In this instance, it becomes necessary to decide on alternative scenarios, while understanding the limits of those methods.

Counterpart grouping poses another challenge for alternative investment fund managers. The grouping of brokers, banks and issuers under one common heading is not always very clear. As non-EU alternative investment fund manager reporting requires a country specific approach, the consolidation and related frequency determination leads to an additional layer of complexity. And in certain circumstances, ESMA requires reporting on new codes such as legal entity identifier and alternative investment identifier.

However, as yet, such codes are not fully recognised by the industry. In addition, risk elements such as investor liquidity profile and unsecured borrowing amount are very often not readily available in the fund's systems.

Due to ESMA's specific sub-asset type coding, mapping becomes necessary between internal codes used by fund houses and those used by ESMA. This exercise is not a simple one, with the reconciliation of both sets of codes being far from a one-to-one comparison.

Given that the above points do not form an exhaustive list, an alternative investment fund manager shouldn't expect to receive all of the required information from its service providers or internal departments at the push of a button. Indeed, it becomes necessary to discuss and agree with each data provider a set of common, pragmatic methods and best practices to ensure correct reporting.

At the end of the day, the Pandora's Box doesn't need to become a nightmare if fund managers can delegate the gathering of data, and the production and filing of the reports to teams that are equipped to handle the complexity.

In fact, alternative investment fund managers should think about how they can use dealing with Annexe IV reporting as a useful exercise to turn their use of data into a positive differentiator for investors. Instead of being just a cost centre and a matter of regulatory compliance, data management can be used to add value and allow the fund manager to compete more effectively.

The first advantage created by data management is one of efficiency. A tremendous amount of time at alternative investment fund managers is spent collecting, replicating, reproducing and merging information. Making the process more efficient therefore allows more time to be spent doing their day job of serving their clients and managing their portfolios.

Second, investors themselves now expect greater use of data. As a result, any alternative investment fund manager that can demonstrate how and why it makes the decisions it does is likely to be more successful in raising capital. A fund that has good data is more likely to make good decisions and can use its data management practices to demonstrate its efficiency, transparency and security credentials.

For many alternative investment fund managers, the roadblock to achieving these positive points is that they cannot easily share data and do not have complete faith in the data that they have.

A key reason for this is that despite the numerous technological advances made in financial services, current data-sharing processes used by alternative investment fund managers tend to be antiquated.

The majority of alternative investment fund managers still transmit data by using Excel spreadsheets that are sent and received via email. This means that data collection and sharing takes a significant amount of time and requires the replication of data, which in turn can result in errors that reduce the integrity of data.

A further consequence of the use of Excel and email in data management is that it becomes costly for asset managers and their counterparties to audit their own information. There is no easy way of knowing what information has been sent, if or when it has been changed and why, or when it has last been validated for accuracy.

Without dedicated technology that makes it easier and more secure to collected, verify and share information, data management can therefore become a very costly one. The solution is for alternative investment fund managers to think about how technology can be used to turn these negative issues associated with data into positives for their business.

Alternative investment fund managers currently focusing on Annexe IV reporting now should therefore start looking at how to implement new systems for future benefits beyond the first reporting deadline. Those that do will be well positioned in the long-term to not just meet the requirements of AIFMD, but also gain a competitive advantage over their peers. **AST**

Mario Mantrisi
Chief strategy and research officer,
member of the executive board
Kneip

25 years good luck

A quarter of a century in the making, the hard work is still paying off for Dublin as a UCITS hub. Pat Lardner, CEO of the IFIA, explains why

CATHERINE VAN DE STOUWE REPORTS

What are the key aspects that make Dublin a UCITS hub?

Since the first UCITS fund was launched in Ireland in 1989, we've seen tremendous growth—today Ireland is the home to UCITS fund assets fast approaching €1.2 trillion. The growth rate of our UCITS business has continuously been among the strongest, if not the strongest you'll find—since the beginning of 2009 the annualised growth rate in UCITS funds domiciled here has been almost 13 percent per annum.

There's a saying that success has many fathers and our tremendous growth has been due to a combination of things. As a country we've thrived with knowledge-based industries across sectors due to the quality of our people in terms of their technical ability, work ethic and dedication to nurturing deep relationships built around service excellence. So the quality of the raw materials that provide services to UCITS and other funds is absolutely world-class.

There are a number of other things that have been really important—clearly we are a great access point into the European markets and beyond. We also maintained and developed a regulated environment, which has demonstrated a commitment to openness, transparency and accessibility. Being regulated is a strength not a weakness and a clear, efficient and responsive regulatory environment has been a benefit. The cost and tax environment is also very competitive and this matters a great deal. Finally, the commitment from the government to grow the sector dates back to the inception of our industry.

It's fair to say that throughout our journey over the last 25 years, the demands and complexities of the industry have increased and we've demonstrated an ability to develop and innovate—whether that's in terms of automation or being able to support the widest possible range of strategies.

Our ability to draw from a young, well-educated workforce helps us to sustain and grow this business. Our ability to draw on the expertise that already exists within the industry locally helps us develop and maintain our position as a key location of the domicile and servicing of investment funds.

EFAMA reported a slow rise in UCITS funds for June 2014. Is there a slow down or are they still popular?

I wouldn't read too much into one month's data, irrespective of whether it is positive or negative. UCITS funds have and continue to be immensely popular, and from an Irish perspective, we've continued to see strong growth. In the six months to end June 2014, we've seen the value of our domiciled UCITS funds grow by more than 10 percent and this is a continuation of the longer-term numbers I mentioned above.

We are also seeing a combination of existing managers extending their ranges and new managers coming to recognise that UCITS is a vital enabler of their international distribution strategy.

With the Alternative Investment Fund Managers Directive (AIFMD) now in place, I do think there is a broader range of choices for managers that are looking at the specifics of their investment strategies and target investor base and thinking through the question of whether they should go the UCITS or AIFMD route. But overall I see it as positive for the industry.

How will UCITS V work alongside AIFMD and MiFID?

Given the more recent introduction of AIFMD and the pending implementation of UCITS V and the Markets in Financial Instruments Directive II, this remains somewhat of an open question.

We can say that the alignment of the UCITS depository environment to that of AIFMD, particularly in the context of eligibility and liability, will provide a more consistent approach to the provision of custody services to UCITS and alternative investment funds, and also ensure similar protections are available to investors in both fund types.

There are operational synergies between UCTIS management companies and alternative investment fund managers.

We have seen existing UCITS management companies become authorised as alternative investment fund managers—this dual licence is expressly provided for under AIFMD.

The acid test will be whether the existence of multiple rule-sets facilitates the effective delivery of a range of investment opportunities in a regulated format, which allow capital to flow into economies and maximises the potential for investors to meet their longer term needs.

Did UCITS V miss out any requirements? If so, will there be a UCITS VI?

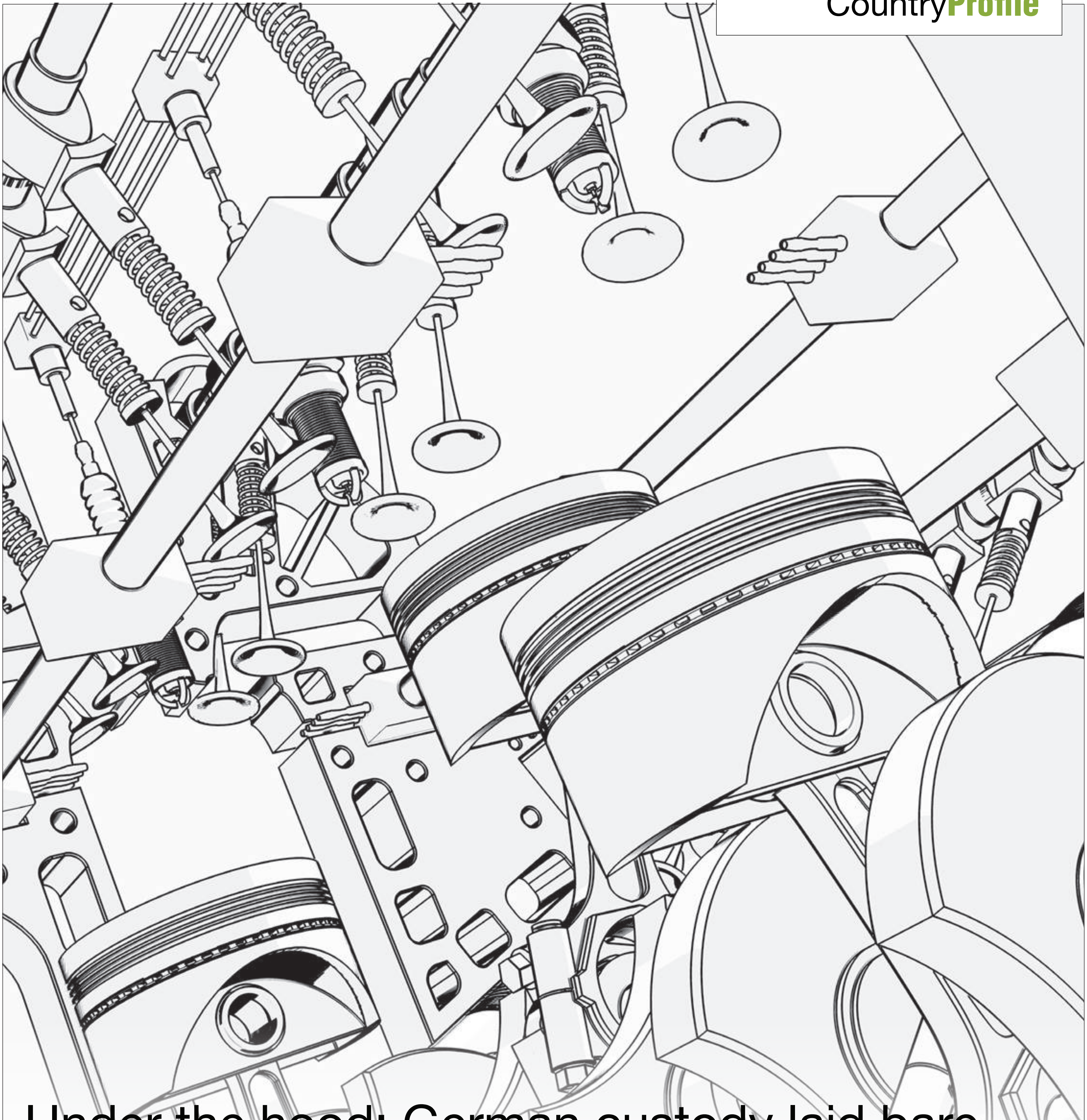
Given that UCITS V was specifically aimed at introducing consistency with AIFMD for UCITS depositories, then I think it has achieved its initial objective.

The EU Commission published a UCITS VI consultation in July 2012 and while some of the proposals in this consultation paper are being pursued separately, eg, money market funds and European long-term investment funds, it's clear that there is likely to be a UCITS VI—what remains to be seen is exactly what matters it seeks to address.

We believe that the focus of UCITS VI and the future evolution of UCITS should be to ensure that the protections in the UCITS framework in respect of risk management, liquidity management, organisational rules and internal audit, are fit for purpose. This should include the ongoing review of risk management provisions and continued evolution of requirements in relation to stress testing, back testing systems, reporting to the relevant regulatory authorities and provision of information to investors. Within such an investor protection-driven framework, there should be retained the greatest possible flexibility with regard to eligible assets.

Finally, the future development of UCITS should recognise the number of managers and investors from outside the EU that have embraced UCITS. **AST**

Pat Lardner
CEO
Irish Funds Industry Association



Under the hood: German custody laid bare

Despite reports of a slowdown, Germany's custody market is alive and kicking, awaiting the next big bang from TARGET2-Securities

CATHERINE VAN DE STOUWE REPORTS

The German custody market has become a well-oiled machine that is showing no sign of slowing down. As the third largest fund market in Europe, with €1.9 trillion in assets, the market has become a key access point for global custodians looking to expand their market reach.

The market was given a strong foundation in the early 2000s that enabled it to withstand the eurozone crisis in 2008. The work put into the labour market reforms in 2004, created by the then Chancellor Gerhard Schröder, has meant that today market players are benefitting from a strong, structured market.

While recent reports talk of a 'slow down' in the German economy, custodians are not viewing this as an immediate threat. Stemming from a period of negative rates, being experienced across Europe, Rafael Moral, head of investor services for global transaction banking at

Deutsche Bank, says: "Custodians are impacted by a slow down in the economy resulting from a fall in the fees earned. This is linked directly to two of the key custody revenue streams: assets under custody fees and net interest income."

Moral adds: "However, custodians have a diverse set of services that can be offered and other revenue streams are less impacted from these macro-economic factors. The larger issue is the impact that any slow down will have on the wider eurozone, how this is perceived in the global markets, how this impacts investment in the region and, subsequently, what this means towards the speed of the overall economic recovery."

Booming pension fund business has resulted in growth of the custody market. Gerald Noltsch, CEO of BNP Paribas Securities Services for Germany, explains: "For example, the more people who are employed, the more people pay pension into certain third-pillar pensions funds that are existing in the German market. This investing comes, to a certain degree, to the custody market in a very indirect impact."

Noltsch adds that there is still an inflow from the asset management industry that is growing again, both on the institution side and in aspects of the retail side. He says: "The trend in the area is positive and the investment in the German market is positive. The recent slow down doesn't have an impact on the custody market, at least not to the degree that we as an organisation in our business could see it."

The positive trend in the custody market is felt more with the recent selection of BNY Mellon by Marble House Capital to provide custody services earlier this year. This selection adds to BNY Mellon's 200 strong institutional relationships in Germany, which it views as a key market to offer opportunities and as a good base to develop the firm's European clients.

Andrea Sturm, head of business development and relationship management for Germany, Austria, Swizerland and Central Eastern Europe region at BNY Mellon, says that Germany's regulatory set-up is a key driver for its expansion in the country.

She says: "Despite a harmonised regulation with [the Alternative Investment Fund Managers Directive] and UCITS, Germany has a unique regulatory set-up when it comes to the duties of the depository bank in order to give investors in a German regulated retail or institutional fund the highest possible level of asset safety."

Regulations

The unique set of regulations that gives protection to custodians is, again, a result of the 2004 reforms. Sturm explains that depository banks must fulfil a variety of tasks, such as safekeeping of assets, investment compliance checks and the checking on net asset value calculations, which has resulted in a portion of custody assets to be administered into a fund shell. She adds: "All German custodian banks are organised in the Germany deposit protection fund, which gives investors additional protection in case of the default of the depository bank."

An all to familiar story has become the implementation of the constantly growing and evolving pan-European and global regulations. Taken on by global custodians, these additional regulations must be translated, broken down and incorporated into the systems that will work along side local legislation.

To get the most from global regulations on a local scale, Noltsch says that BNP Paribas works with local business leaders and regulators to learn all it can about how best to implement requirements.

"It is important to have teams with the local knowledge," he says, "to ensure what is intended with new regulations, and especially what it means in terms of asset protection for customers. You always have to have these local teams and access to local authorities, which we believe are the key elements you have to have if you want to be successful in the given market."

Though a unique set-up, Deutsche Bank views Germany as being complex in the global regulatory landscape. Moral says: "There are a number of key themes being implemented simultaneously as a global, regional and local level, but these are being implemented along different timelines and with different interpretations at each level."

"Quite often," says Christiane Lindenschmidt, co-head of HSBC Securities Services in Germany, "the German government wants to be ahead of the curve in regulation, as seen with the high frequency trading law or the law for product intervention." While being ahead of the curve can help to safeguard against defaults, it can mean additional work for firms.

Lindenschmidt adds: "This leads to a situation where German market participants have to implement rules twice, first the German version and afterwards the European one." If requirements of the local and European regulations are similar then a duplication of efforts is needed, creating complexity where it may not be necessary.

With regulations set to remain high on the agenda, attention is turning to the impending start of TARGET2-Securities (T2S) and final preparations.

Third wave

Europe has been in a state of preparation for the T2S programme since its creation in 2006 by the European Central Bank, though not for much longer. The first wave of the 'go live' phase will happen in under a year, with Germany scheduled to go live with the third wave in 2016.

For global custodians, whether based in Germany or not, T2S will be live from the first phase in 2015, depending on where they are based around Europe. "We operate our custody business across a global footprint and are impacted by each wave of T2S," says Moral. "When we formulated our strategy for T2S we wanted our clients to make the most of the opportunities the new platform is providing."

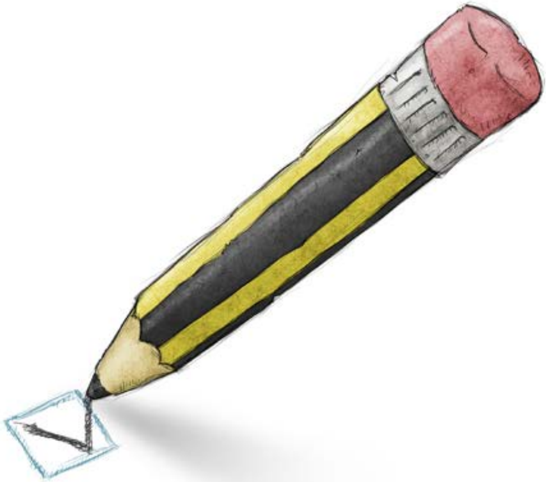
> "There are a number of key themes being implemented simultaneously as a global, regional and local level, but these are being implemented along different timelines and with different interpretations at each level"

To do this, Deutsche Bank will be directly connecting to T2S for cash using the firm's central bank account at Deutsche Bundesbank in conjunction with a new single technical platform to utilise local market presence.

Moral adds: "This means not only will we be active participants in the first two waves of T2S, but we will be bringing experience of those early implementations into the German market."

Similarly, BNP Paribas will be going live in during the first wave, which Noltsch says will benefit Germany as all that is done in the first two within the company will mean a smoother ride the third time around. "When it comes to the third wave, we will have a big bang of trade, which then have to be migrated over the week … but having Italy [in the first wave means] our business and migration has started."

"Our plan," adds Noltsch, "is to become, organisationally, a direct member where we have a common platform for all T2S markets … from the client feedback we have so far, we are well ahead in terms of our competition and look forward for T2S to start and, again, for Germany it doesn't only just start in wave three, it starts when it starts." **AST**



Independence, but at what cost?

HornbyChapman's Paul Chapman examines what a vote for or against Scottish independence would mean for the UK's financial industry

Thursday 18 September 2014 is a momentous date in Scottish history. It is not, as some wags would have it, Rabbie Burns's birthday, the start of the haggis hunting season or even National Chip Day. Rather, it is the Scottish Independence Referendum under which the question, "should Scotland be an independent country?", will be put to the eligible electorate. The results of the referendum will have momentous implications for both the UK and Scottish financial services industries, which I will attempt to outline in as succinct and, hopefully, unbiased manner as possible.

The campaign so far has been typified by scare stories, disinformation and mistruths on virtually every one of the main issues at stake, however, it is generally agreed that financial services make up a vitally important part of the Scottish economy. Some 85,000 people are employed in the sector directly with an additional 100,000 indirectly. In 2010, the last year for which audited figures were available, this equated to an income of £8.8 billion—86 percent of which was from sales to the rest of the UK, and 7 percent of total Scottish employment.

When this issue went to press, the outcome of the referendum was by no means certain. While the 'No' votes may be some 5 to 7 percent ahead in the polls, a last minute surge of support for 'yes', or overconfidence/apathy on polling day by 'no' supporters, could tip the result either way. If independence does become a reality, then there would certainly be a high degree of confusion and uncertainty for at least the transition period, which is due to end in March 2016. Businesses abhor uncertainty, so would very likely decide to move to the nearest stable economic location.

Let us take just one example of what might happen should independence become a reality: the impact on the pension fund industry upon which much of Scotland's reputation as a safe, mature and professional location has been built. The creation of a cross-border pension liability—for Scotland would be a 'foreign' country as much as France or Greece is currently—would oblige corporate pension funds to fully fund or re-domicile. Some 91 percent of the pensions managed by Scottish firms are for non-Scottish clients. To offset the increased regulation of a cross-border pension scheme, over and above the issues of potentially different taxation, regulatory systems and possibly a different currency, firms would invariably move to England.

Porter's Cluster Theory states that related expertise develops around a specialisation, so if the fund managers move, then the related lawyers, accountants, actuaries, bankers, marketing staff and insurers would be obliged to follow. These people, whether they live in Glasgow, Edinburgh, Dundee or wherever, spend their salaries in local shops, hairdressers, garages and pubs, so the potentially disastrous domino effects are clear to be seen. The activity and balance levels of banks—or what is left of the banking system after the crises that brought down in 2008—would be severely hit and even now a large number of private individuals are moving their funds south of the border to prevent and potential exchange rate issues post-independence.

In a country that even now spends around £10 billion a year more than it earns, funds would have to be found for a new regulator, to potentially convert all reporting, systems and valuations into a new currency and issue and administer their own gilts (with the attendant issues of not having the Bank of England as lender of last resort and no control over interest rates).

Conversely, one possible benefit to Scotland of independence then there might be an opportunity, with bold and lateral thinking of a type not previously seen by a left-leaning government, to reduce corporate tax rates and position Scotland as an attractive domicile for funds in a way which worked so well for both Dublin and Luxembourg. Sadly, a wholesale lack of vision, confidence or strategic thinking precludes this being countenanced.

An article of this size does not allow me to examine the wider issues of the bloated size of the state, the realistic prospect of NATO (without nuclear weapons) or EU membership—which would only give succour to the Basques of Spain and France to name but one group and hence why membership is extremely unlikely to be granted. My personal view is that the result will be against independence by 40/45 and 60/55 percent. If not, as someone who currently lives in Scotland but works globally, my next article on post-independence Scotland might well be submitted from Singapore. AST

Paul Chapman
Managing director
HornbyChapman Ltd

Hearts and wallets

On the eve of a historic referendum that could cast centuries of cooperation asunder, David Lewis of SunGard's Astec Analytics explores what effect this could have on the UK's financial markets

Many years ago, while working for a business headquartered in Edinburgh, I was trying to buy a beautiful house in a town outside the city. Scotland has a house buying process quite unlike England's—'offers over a certain price' is a very common way of offering your house for sale and, once you say 'yes', the deal is done and is irrevocable.

'Your word as bond' is a definite advantage of this system in my view, but the 'offers over' is unfathomable as final selling prices seem to bear no relation at all to the initial offer level. When negotiating to buy the house, the selling agent could only advise me to bid somewhere between my heart and my wallet.

Scotland now finds itself in a similar position. With the referendum results on independence due on 18 September, there is much excitement in both the wider UK, and of course, in Scotland. As of Monday 8 September, the financial markets also became more than a little excited.

The publication of a new YouGov poll in The Sunday Times on 7 September indicated for the first time that the vote for independence might have edged ahead of the 'No' campaign. The poll showed 51 percent would vote 'yes' and 49 percent 'no'.

These statistics should be taken with the following context—it is the first and only poll to show this swing away from the 'no' camp. Other polls posted on the same day did not show the same results and it excluded those who remain undecided. However, the impact was significant.

The next day, the British pound fell 1.3 percent against the US dollar and about 1 percent against the euro—pushing it to the lowest level against the US dollar in 10 months—and the FTSE 100 index shed 0.79 percent of its value.

These results are being taken as the result of what many fear a separation of Scotland from the rest of the UK could do for growth prospects, the potential for a currency crisis and a confusing fight over just who owns and who owes what of the UK's debt and asset piles.

Many large financial companies identified as having exposure to the Scottish market also suffered as a result of the markets seemingly being spooked by the YouGov poll.

The Royal Bank of Scotland (RBS.L), Standard Life (SL.L) and Lloyds Banking Group (LLOY.L) all lost ground on 8 September, losing 1.3 percent, 2.3 percent and 2.4 percent, respectively. Lloyds has publicly stated that it will be looking to move its headquarters from Edinburgh to London in the face of a 'yes' vote and RBS is keeping its options open.

Non-financial companies also suffered, with Weir Group (FTSE 100-listed engineering firm), Babcock International (engineering services) and SSE (energy) all losing between 1.4 and 3.6 percent of their share prices on 8 September.

But what of the short interest view of the referendum? Would the loss of the Bank of England as a lender of last resort as well as the additional costs on both economies of unwinding their 307-year relationship not be enough of a risk to drive the short sellers to take up aggressive positions?

Apparently it is not. As Figure 1 shows, short interest in Lloyds did indeed jump on 4 and 5 September, more than doubling to more than 74 million shares on loan in fact, but this has to be taken in context. Loan balances were in excess of 100 million shares less than a month ago and more than 330 million at Lloyds's 12-month peak in April. For RBS, loan volumes have also increased, in its case around 40 percent since the middle of August, but even at this increased level it remains less than 75 percent of its 12-month average level.

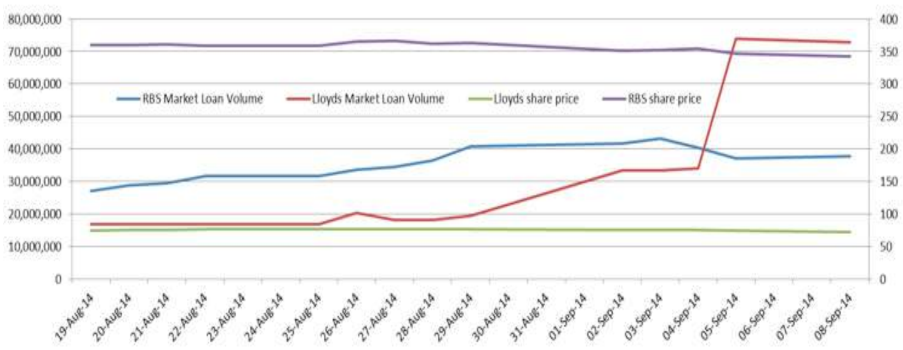
In terms of balances on loan, only Babcock increased since the release of the YouGov poll. Along with Babcock, SSE was the only other company that saw an increase in borrowing volumes over the last month. Taken together, these data items do not indicate a huge swing to the short end of the market, which might have been expected given the fears of the potential economic impact of the split, should it occur.

This could of course mean one of two things—the short interest market, unlike the more jittery cash market, either feels confident the 'no' vote will prevail or, less likely, the market believes the split will have little or no effect.

One thing most observers agree on is that the vote is currently much too close to call. Perhaps, as the final days ahead of the referendum pass, the forthcoming outcome will become more obvious and investors will react accordingly.

However, with the outcome of a vote that is, as some would argue, down to a battle between the hearts and the wallets of the Scottish voters, this is a hard outcome to call—which might just explain why the short sellers are remaining on the fence for the time being. **AST**

Figure 1: Shares on loan and share prices from 19 August to 9 September 2014



Source: SunGard's Astec Analytics

David Lewis
Senior vice president
SunGard's Astec Analytics

GCAS: the integrated approach

There is much to be gained by integrating custody, issuing and paying agency, and escrow services within treasury. Joanne Gill of Bank of America Merrill Lynch looks at having these disciplines as part of an integrated service platform

In today's regulatory environment, treasurers are facing the prospect of higher bank pricing for capital-intensive services. In addition, there is a move from short- to longer-term funding and increased pressure on lending. Meanwhile, debt levels remain high and, as such, treasurers have to manage a larger pool of assets and liabilities. The larger the pool becomes, the greater the operational risk and complexity. A further hurdle is the regulatory change requiring companies to effectively manage their collateral in their dealings with counterparties. Complete exposure to a single counterparty is no longer acceptable and the treasurer is being tasked with keeping everything in order.

These drivers have prompted many corporate treasurers to adopt additional banking services. For companies looking to manage ever-larger cash balances, custody services are becoming more commonly used. Other companies are looking for alternatives to bank lending and, as a result, are finding they have more need for securities-based services than in the past.

At the same time, in order to streamline the processes involved in managing their balance sheets, treasurers are looking for more information, increased visibility over their activities and integrated services across the board. In particular, as corporations focus on improving efficiency within their treasury processes, they are increasingly looking for platforms that can incorporate a wider range of solutions and services.

When cash meets securities

Historically, custody and agency services offered by some global banks were managed separately from cash management and transaction services. Today, these areas are becoming increasingly integrated with other services offered to both corporate and financial institution clients. They include:

- Custody: when companies manage a portfolio of investments, a custodian is typically appointed in order to settle and safe keep the transactions and positions within the portfolio.
- IPA: the focus of an IPA is on the liability side of the balance sheet. An IPA supports clients in raising short- and medium-term debt, for example, by facilitating issuance and maturity payments.
- Escrow: an escrow is a legal agreement that is used as a means of managing risk within a specific event, such as an M&A transaction. The depositor asks a neutral third party to hold assets on their behalf until certain conditions have been fulfilled, whereupon the assets are delivered to the end beneficiary.

Each of these areas can be combined with transaction banking in order to achieve synergies. Escrow, for example, is based on any infrastructure that would have supported the cash business and can therefore be combined very effectively with transaction services. Custody, meanwhile, acts as a connection between transaction banking and the rest of the markets business, enabling a bank to coordinate these two areas more effectively. Where an IPA is concerned, banks can help clients reduce risk by acting both as an IPA and cash clearer for when they issue debt.

By integrating custody and IPAs into the cash transaction services, business operational risk can be reduced as cash can move automatically to and from the custodian. Additionally, debt raised from an issuance can move automatically from the IPA to the cash clearer. Both of these remove the need of having to pay out to a third-party cash provider.

The benefits of an integrated approach

By positioning themselves more robustly as integrated providers, banks stand to benefit as more corporations choose to adopt custody and IPA services. Rather than offering these areas as standalone products, banks have an opportunity to work more closely with their clients in order to understand both their balance sheets and investment strategies at a transaction banking level.

As corporations pursue greater efficiency in managing evolving balance sheets and fluctuating investment strategy requirements, they can gain greater flexibility through a single global platform that supports securities processing. This integrated approach offers businesses wide access to an array of financial solutions across prime brokerage, clearing, collateral management, securities lending and custody. The result is a fully integrated servicing experience, from execution to final settlement. **AST**

Joanne Gill
Head of EMEA global custody and agency services
Bank of America Merrill Lynch

Taking out the middleman

Adding to the growth of the sukuk bond, Dubai's new qualified investor fund aims to put the emirate on the domicile map for the Middle East and beyond

CATHERINE VAN DE STOUWE REPORTS

As New York is for the US and Hong Kong is for the Asia Pacific, Dubai has become the financial capital of the Middle East. In the last 10 years, despite the hiccup of the last financial crisis, growth in the financial sector has been phenomenal. So much so that, in Emirates Investment Bank's 2014 Gulf Corporation Council (GCC) Insight Report, 28 percent of global investors said they preferred the United Arab Emirates (UAE) as their destination for investment, above China, Europe (both 21 percent) and the US (at 17 percent).

Created in 2004, the Dubai International Financial Centre (DIFC) enables access for onshore and offshore clients to the region's $5.7 trillion in nominal gross domestic product. In August 2014, a new set of amendments to the DIFC regulatory law proposed by the DIFC's regulator, Dubai Financial Services Authority (DFSA), paved way for the introduction of a new alternative investment fund.

Ali Hassan, senior representative for Europe and North America at the DIFC, explains that the qualified investor fund is an alternative investment fund for the wealthy investor. The fund has a minimum subscription of $500,000 and must have 50 or fewer investors offered by private placement. He says: "The product is focused at that market … as investor of that type is likely to have the resources to conduct due diligence and look after themselves. The regulatory requirements imposed by the DFSA are briefer, tailored to reflect the underlying characteristics of the investor."

Nadi Bargouti, managing director of asset management at Emirates Investment Bank, agrees that the tailored regulations are attractive to the qualified investor customer. He says: "High net worth individuals in the GCC have a tendency towards investing in dedicated, tailored strategies according to their investment needs."

With the qualified investor fund not subject to requirements that apply to other types of funds available in the DIFC, it is an attractive prospect for investors not looking to reach the mass market. Hassan says: "Some of the requirements that are being imposed in Europe may not necessarily be relevant where, for example, you have a Middle Eastern investor and a non-EU manager, why over lay that with additional regulation?"

"The qualified investor fund is ideal for alternative investments such as private equity funds, which are naturally going to have a select number of investors. Because of that, the regulatory requirements are paired back, the costs and the settlement is lower, and the time to market is quicker."

The DIFC offers a unique combination of sound regulation and laws in line with other onshore jurisdictions and favourable commercial aspects typically found in offshore jurisdictions, such as 0 percent tax and full ownership capabilities. By offering this solution and cutting out the middleman of an offshore domicile, says Hassan, the qualified investor fund strengthens Dubai and the DIFC as a domicile of choice for Middle Eastern investors.

"The new regulations are more accommodating and enable the DIFC to be increasingly competitive on a global scale," says Bargouti. "As a Dubai-based private bank providing access to a wide range of local, regional and global investment solutions, we welcome this new initiative … as a positive step towards encouraging fund managers to consider launching new funds in the DIFC, which will increase the depth of the financial centre and make it a serious contender to its global peers."

On the other end of the scale is the notable expansion of the sukuk bond. According to Nasdaq Dubai, the city is the third largest venue for sukuk listings by value, and in June 2014 Saudi Arabia's Dar Al Arkan Estate Development Company added three listings from its sukuk programme on Nasdaq Dubai, with a total value of $1.15 billion. Minister of State for Cabinet Affairs of UAE and chairman of the board of the Dubai Islamic Economy Development Centre, Mohammed Abdulla Al Gergawi, said: "These listings by a major company within the GCC represents a further step in Dubai's growth as the global capital of the Islamic economy."

Further to the bond's expansion, in July 2014, the UK became the first nation outside of the Middle East to settle the sukuk bond. Through Euroclear UK and Ireland (EUI), at a value of approximately £200 million, the bond is primarily issued in Brussels with settlement taking place at EUI and its sister international depository, Euroclear Bank. John Trundle, CEO of EUI, said: "Euroclear Bank has a strong history of providing post-trade expertise in sharia compliant debt—last year Euroclear Bank partnered with Borse Dubai to support asset servicing for our clients purchasing bonds on Nasdaq Dubai's Sukuk trading platform."

"EUI already holds £1.3 trillion worth of gilts on behalf of clients, and these clients have the choice of holding balances in these sukuks at EUI or Euroclear Bank."

With the combination of the sukuk bond and the qualified investor fund, Dubai is hitting the right notes with its onshore customers while creating new opportunities for offshore investment that could make the emirate the go-to domicile in the Middle East. AST

Setting the pace

With South Africa setting the standard for other African countries, it is reasonable to expect this momentum will have a positive effect on introducing class actions legislature into their laws, says Pat Bingham-Peters of Goal Group

While class actions in South Africa are in their infancy, securities class actions globally have developed at an unprecedented rate outside of the original class actions powerhouse, the US. Investors around the world have been seeking alternative jurisdictions in which to pursue claims.

In the US, F-cubed actions—which involve a non-US shareholder suing a non-US company, whose stock was purchased on a non-US stock exchange, and who is bringing a case in a US federal court—have effectively been excluded by the 2010 ruling in Morrison v National Australia Bank by the US Supreme Court. As a result, securities class actions are no longer solely focused in the US, but group and collective litigations are being filed in multiple legal systems throughout the world. South African investors and fiduciaries must, therefore, be aware of collective redress participation opportunities in the EU, as well as in the US, where jurisdictions permit.

Since the Supreme Court of Appeal confirmed class actions were possible in South Africa, they have been on the rise and, as a result, there have been a handful of applications brought forward, which are now pending in the high courts. This new approach has seen class actions become accepted, and claims are now handled by the South African High Court Rules and the Constitution of the Republic in South Africa of 1996. Given their relatively new status, courts are expected to take into account past class actions in overseas jurisdictions while they develop a law appropriate to their country.

Recently, the Constitutional Court delivered a judgement in Mukaddam v Pioneer Foods (2013) regarding class actions. The judgement will serve as a guide to courts of first instance when tasked with deciding whether a class action should be certified and in assessing whether the discretion was exercised judicially. It is likely that, in time, this recent activity will lead to the processing of securities class actions.

With South African equities investors now investing $146 billion in foreign shares, up from $135 billion at the end of 2011 and $64 billion in 2008, it is clear that there is a duty to monitor and participate in securities class action and collective redress opportunities in various countries around the world. Investment in the UK in 2013 from South African investors was $76billIon: $19 billion was invested in the US, $15 billion in Luxembourg and $13 billion in Bermuda.

Goal Group's analysis of its class actions knowledge base predicts that by 2020, annual securities class action, groups and collective redress settlements outside of the US will reach $8.3 billIon annually, with $3.7 billion of this being attributed to the Europe, Middle East and Africa region. However, Goal Group's research has also estimated that $2.02 billon of global investors' rightful returns will be left unclaimed each year because of non-participation.

With a significant amount unclaimed due to non-participation every year, it can be argued that fund managers and advisors have a moral duty as part of good corporate governance to actively pursue opportunities around the world to recoup funds to which they are entitled. So South African investors still need to be aware of the opportunities worldwide that are available to them and actively participate in class actions where they hold stocks in those markets.

As shown above, failure to engage in class actions can leave billions in unclaimed settlements, compromise fiduciary integrity and portfolio returns, and prejudice clients' potential entitlement to legal redress. There are also a number of specialist services commercially available that minimise the complexity and cost of effective participation and recovery, so there is no viable excuse for non-participation.

With South African legislature setting the standard for other African countries, it is reasonable to expect this momentum will have a positive effect on introducing class actions legislature into their laws. Securities class actions are fast becoming a truly global phenomenon and countries that previously did not allow class actions are now taking note. Goal Group's analysis predicted annual class action settlements in 2020 as $258 million in Africa—including Egypt, Morocco and South Africa. While Europe and America still lead the way in global class actions, Africa has the potential to follow suit. **AST**

Pat Bingham-Peters
Director of global sales and relationship management, EMEA
Goal Group

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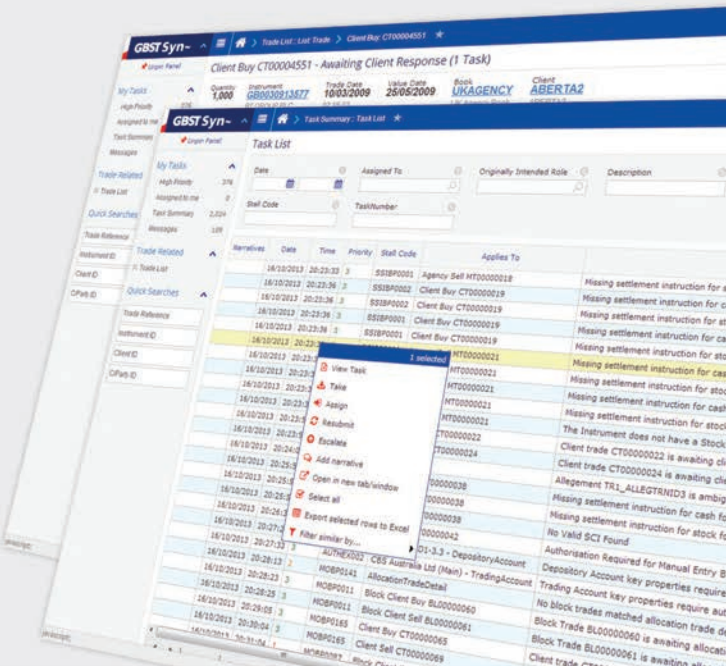

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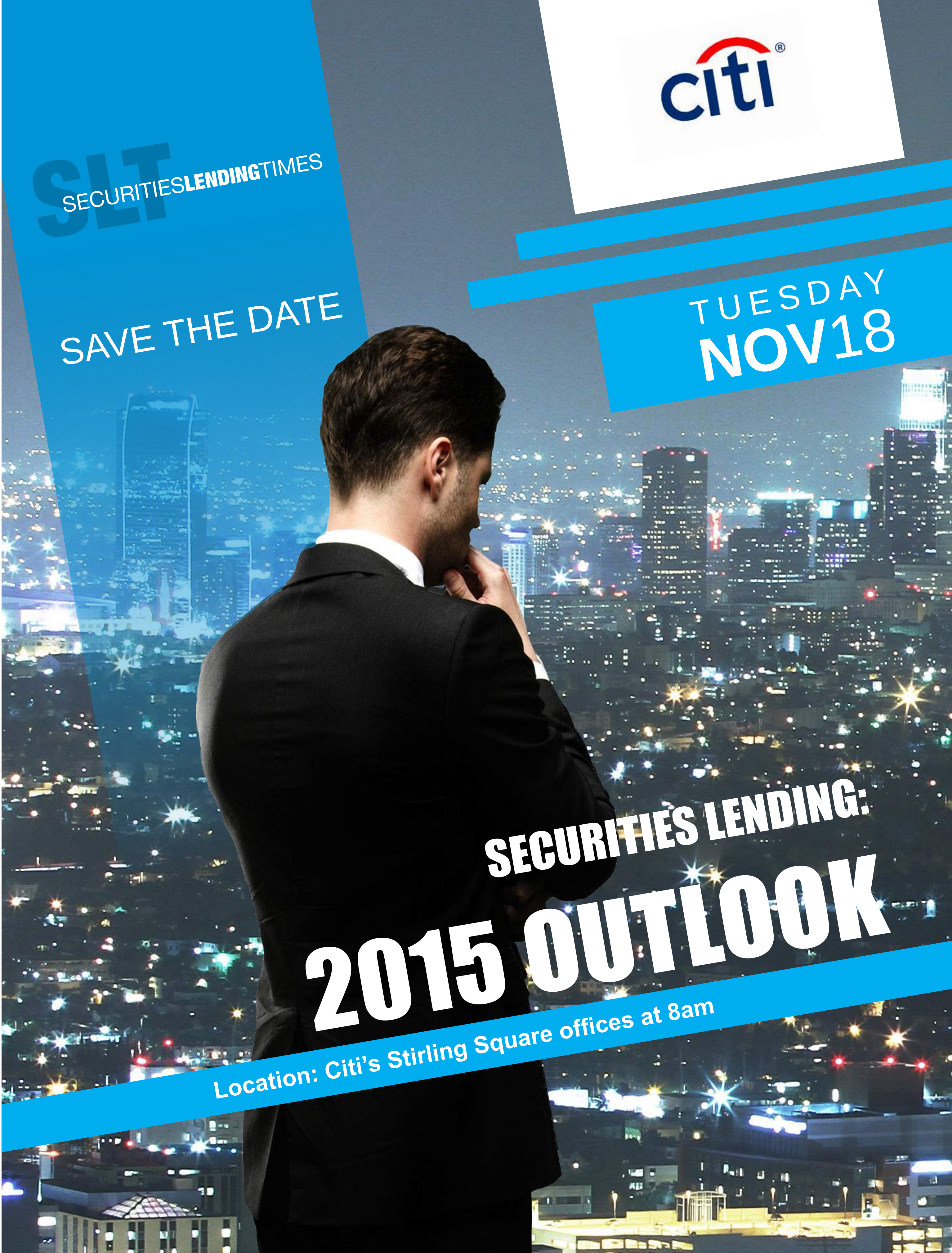
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Location: Citi's Stirling Square offices at 8am

Industry appointments

Executive vice president of technology and operations at HP, **John Hinshaw**, has joined BNY Mellon's board of directors.

Also a member of the executive committee at HP, Hinshaw is the second new board member to join the board of directors this year.

Prior to joining HP, Hinshaw served as vice president and general manager for Boeing Information Solutions after serving as Boeing's chief information officer.

Gerald Hassell, chairman and CEO of BNY Mellon, said: "Hinshaw is a top leader in his field, having served in progressively more complex and global technology roles across several different industries."

"His broad technology and management expertise will be a major asset to the board and our management team as we continue to develop and deploy innovative, intelligent technology solutions to our clients around the world."

Mercer Investments has made four additions to its North American business.

Neeraj Baxi, previously a director at Primus Investment Management in Mumbai, India, and a principal with EnnisKnupp in Mumbai and Chicago, has joined as a senior investment consultant in New York.

Brett Horton, previously a director with Duff & Phelps, has joined as a senior consultant to help further enhance Mercer's investment manager operational risk assessment service.

Chris Kohler, most recently with Entrust and previously with Hewitt EnnisKnupp, has joined as a senior consultant supporting Mercer's endowments and foundations business.

Greg Korte, previously founder and principal of Korte & Associates Consulting, LLC, has joined Mercer as a senior consultant and head of its custody consulting business in North America.

"We are building additional delivery capacity ahead of further anticipated growth in our investment consulting and fiduciary management business. We've been experiencing robust growth, and need to add senior, experienced, high quality staff," said Rich Nuzum, head of Mercer Investments in North America.

Tony McDonell will be the managing director for HSBS Securities Services Ireland (HSSI).

Previously regional head of asset managers for European and North American sales and business development at HSBC Securities Services, McDonnell will be responsible for running and growing the operation in Ireland.

McDonnell joined HSBC in 2002 and will now report to Arjun Bambawale, head of HSBC Securities Services in Europe.

Bambawale said; "Ireland is a key market for HSBC Securities Services, reflecting the country's increasing importance as a European hub for the funds management industry as a whole. Tony's experience in our Irish and European business positions him well to develop and meet our growth plans in Ireland."

McDonnell said: "I'm delighted to be given this opportunity. HSBC Securities Services Ireland is a truly global business which showcases the knowledge, expertise and experience we have in the funds industry here in Ireland."

"The business has transformed in the time that I have been here and I look forward to leading us forward into the next phase. I believe that the funds industry here in Ireland can be a catalyst for significant economic growth in the coming years and it is my intention that HSSI be a key part of that."

HSBC Securities Services has also made **Cian Burke** the new head of securities services and **Drew Douglas** the regional head of payments and cash management for North America.

Both Burke and Douglas become co-heads of HSBC Securities Services in 2010 and have since de-risked the firm's product base, shifted focus to core group clients and streamlined operations while growing the underlying core revenue.

Burke has more than 20 years of experience with HSBC and will focus on continuing to grow and develop the HSBC Securities Services business while containing risk in a volatile market and changing regulatory environment.

Saxo Capital Markets (SMCL) has appointed **Anthony Belchambers** as a non-executive director.

Belchambers joins from FIA Europe, previously known as the Futures & Options Association, which he founded in 1992 and was chief executive of until March 2014. He remains a special advisor to FIA.

Nick Beecroft, chairman of Saxo Capital Markets, said: "We welcome Belchambers to the board of SCML, where his extensive market and regulatory knowledge will be extremely valuable to our organisation."

Belchambers, added "I am pleased to be joining SCML at a time when the bank is expanding its offering to institutional clients."

Apex Fund Services has named **Bill Salus** as CEO with immediate effect. Salus takes over from **Peter Hughes**, who has become chairman of Apex.

The new appointments mark Apex's target for further growth in all of its 34 global offices. Salus will be based in the New York office and will focus on continuing Apex's success in the US markets.

As chairman, Hughes will focus on building Apex's capital introductory service, which helps Apex clients access investor capitals.

Salus said: "Joining Apex offers a unique opportunity to lead an independent, fast growing organisation with a strong management team and tremendous customer support. I look forward to leveraging my experience to increase Apex's share of the fund administration market around the world and in particular the US where the largest number of the world's funds are based." **AST**

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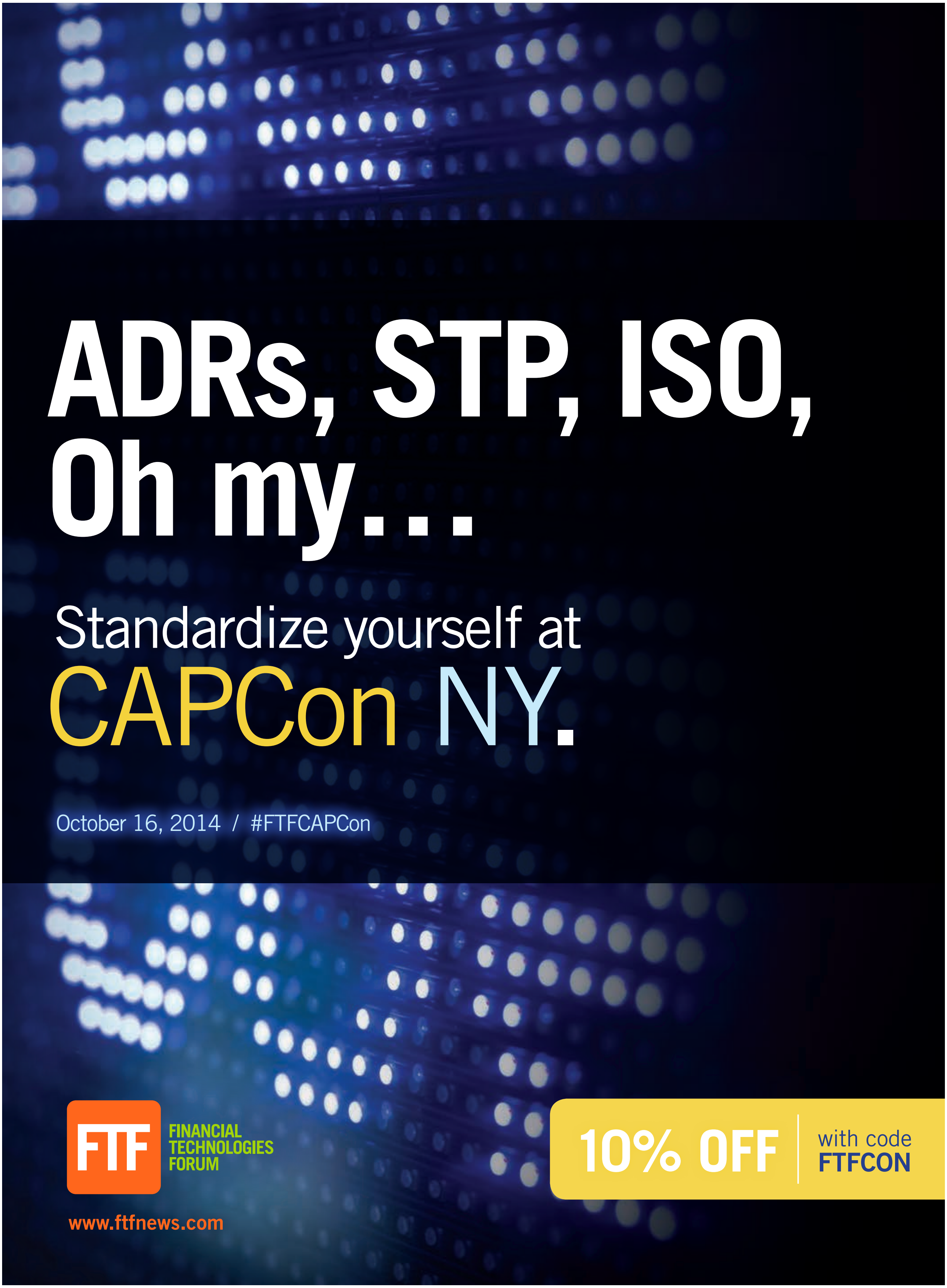
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