AST ASSETSERVICINGTIMES

ISSUE120
12.08.2015 WEDNESDAY
assetservicingtimes.com

Trader jailed over LIBOR manipulation

The first person to be charged as part of the investigation in to LIBOR manipulation has been found guilty on eight counts of conspiracy to defraud and sentenced to 14 years in prison.

Former derivatives trader Tom Hayes was investigated by the Serious Fraud Office (SFO) and was found to have made submissions of rates to the yen LIBOR that were false or misleading, therefore altering the economic interests of others.

The London inter-bank offered rate (LIBOR) is used as the global benchmark interest rate and underpins investments and contracts around the world.

The Southwark Crown Court heard that Hayes repeatedly asked rival brokers and traders, and submitters to his own banks, to alter yen LIBOR submissions, and sometimes offered a reward in return.

The offences occurred between August 2006 and December 2009 when Hayes worked at UBS, and between December 2009 and September 2010 when he was employed at Citigroup.

Citi issued a statement, saying: “Hayes was terminated in September 2010 following an incident that was reported to compliance. Citi also reported the matter to the appropriate regulators at the time.”

UBS also responded to the decision with a statement, explaining: “UBS was not a party to this case. It was a matter between the SFO and Hayes and UBS has no comment. The bank has resolved this legacy matter with most authorities and is committed to reducing operational risks and upholding a culture of doing the right thing.”

readmore p2

Two G-SIBs trailing for SLR requirements

BNY Mellon and State Street are at risk of failing to comply with the Basel III supplementary leverage ratio (SLR) requirements, and should retain higher levels of capital in order to ensure compliance, according to a report by Moody’s.

Of the eight systematically important US banks, BNY Mellon and State Street were identified as having low ratios, based on their balance sheets for the first half of this year.

BNY Mellon’s holding company ratio was estimated at 4.6 percent, and State Street’s was estimated at 5.1 percent. From 2018, the minimum ratio will be 6 percent.

readmore p2

Industry bodies criticise AIFMD passport delay

The European Securities and Markets Association (ESMA) should be making faster progress in extending its pan-European passport to alternative investment fund managers in non-EU jurisdictions, the Alternative Investment Management Association (AIMA) has said.

The Investment Company Institute (ICI) has gone a step further, with CEO Paul Schott Stevens saying ESMA’s decision not to recommend the US for passport extension will “discriminate against US managers”.

AIMA welcomed ESMA’s recommendation to extend the pan-European marketing passport to managers in Switzerland—subject to change in legislation—and in Jersey and Guernsey, however, it advised that the passport should be granted to all main asset management and fund jurisdictions.

readmore p2

Trader jailed in the UK over LIBOR manipulation

Continued from page 1

David Green, director of the SFO, said: “The jury were sure that in his admitted manipulation of LIBOR, Hayes was indeed dishonest. The verdicts underline the point that bankers are subject to the same standards of honesty as the rest of us.”

“This brings to an end one strand of the SFO’s continuing LIBOR investigation. One senior banker previously pleaded guilty and another 11 individuals await their trial.”

Justice Jeremy Cooke, who oversaw the proceedings, said: “The seriousness of the offence is hard to overstate … A message has been sent out to the world of banking accordingly [that] probity and honesty are essential.”

Two G-SIBs trailing for SLR requirements

Continued from page 1

According to the report, although State Street’s SLR surpassed the 5 percent mark, that of its lead bank was estimated at 4.9 percent. BNY Mellon declined to release its bank-level SLR, however, the report suggested that its advanced and standardised tier one ratios are already meeting requirements.

Allen Tischler, senior vice president at Moody’s, said: “In large part, this compliance challenge for BNY Mellon and State Street is due primarily to elevated deposit levels because of low interest rates and to the high levels of liquidity deployed by central banks worldwide.”

He added: “When rates rise, both banks expect significant deposit runoff, which will shrink their balance sheets and help them comply with the SLR.”

The report suggested that if global interest rates do not rise over the next 12 to 18 months, these banks will have to start retaining significantly more capital in order to meet the requirements.

It said that BNY Mellon and State Street have so far failed to take “aggressive action” towards meeting the requirements because there is an expectation of deposit outflow in a higher-rate environment.

Tischler said: “This stance may have been reasonable at the beginning of 2015, when the market expected the Federal Reserve to raise interest rates by mid-year, but no longer: rates have yet to rise, and market forecasts for a rate hike continue to move farther into the future.”

If rates do not rise, the banks will have to be more aggressive in managing their balance sheets, and could resort to issuing non-cumulative preferred stock or cutting back commitments on trading books.

The drop in return on capital could lead to more risk-taking in order to generate income and could, ultimately, have long-term negative effects.

But a source close to State Street pointed out that the bank’s tier one equity capital ratio is, in fact, above the threshold anticipated under the new regulation.

The source also said: “No one actually knows yet what the common equity tier one requirement will be, because that won’t be set until the end of this year. The globally systemically important banks surcharge will be refreshed next year, and it won’t be fully effective until 2019.”

A spokesperson for State Street said: “We’ve been having constructive conversations with clients on the challenges the industry is facing with excess deposits. Our clients face the challenge of selecting viable alternatives in the face of the same environmental factors that are causing excess deposits.”

“Depending on the client and their view of their liquidity needs and investment mandates, we have discussed the use of different outlets including sweeping deposits and using market repo facilities. We have also introduced a sophisticated tool that allows asset managers to stress test their liquidity, which can help them evaluate and potentially reduce their liquidity needs.”

BNY Mellon declined to comment.

Industry bodies criticise ESMA passport delay

Continued from page 1

While the association welcomed the intention to assess the Cayman Islands, Canada and Australia, and the willingness to refine its assessment of the US, Hong Kong and Singapore, it questioned the open-ended decision on the US.

AIMA CEO Jack Inglis said: “While we would have wished ESMA to adopt a more streamlined and speedier assessment of all important jurisdictions, as there is no need for an equivalence assessment in the AIFMD, we welcome the clarity on which jurisdictions are to be assessed in the coming months.”

The ICI, whose members represent a total of about $18.2 trillion in assets under management, criticised the decision.

Schott Stevens said the advice “inappropriately confuses the regulation of mutual funds with the regulation of funds sold to professional investors in the US.”

He added: “Currently in the US, EU managers can readily sell funds to professional investors on the same terms as US managers, and across the entire US marketplace. Unfortunately, the impact of ESMA’s advice would be to discriminate against US managers by denying them comparable access to the entire EU marketplace.”

“EU policymakers must correct this error and apply the appropriate legal analysis before they take additional action on the potential extension of the AIFMD passport to the US.”

ASTINBRIEF

First RQFII approved in the Americas

HSBC has become the first custodian bank in China to service a Canadian renminbi qualified foreign institutional investor (RQFII).

Canadian CI Investments has gained regulatory approval to become the first investor in the Americas to access China through the RQFII programme.

The programme is designed to open up China's securities markets to overseas investors. It was extended to Canada in November last year, with a quota of RMB 50 billion ($8.6 billion).

Sophia Chung, head of securities services in China for HSBC, said: "Canada is a key RMB hub and we are delighted to now be working with CI Investments as the first RMB qualified institutional investor in this region. This marks a significant step for RMB internationalisation in the Americas and the progressive role that HSBC plays in this."

Eric Bushell, senior vice president of CI Investments, added: "In China, we see long-term economic growth and attractive investment opportunities for our investors. The experience, capabilities and support of the HSBC team have been key to connecting us with the evolving opportunities that China presents."

Legislation the best route to transparency, says DTCC

DTCC has publicly supported legislative action to tackle obstacles that hinder the transparency goals of the G20 summit, naming a lack of coordination in global derivative reporting and data standards, and legal barriers to data sharing as significant issues.

The G20 laid out its goals on global transparency in the aftermath of the 2008 financial crisis. However, Larry Thompson, vice chairman and general counsel at DTCC, speaking at a US House of Representatives committee hearing, suggested that although progress has been made, global transparency has not yet been achieved.

Thompson said that this transparency is a critical element in understanding systemic risk, and that its absence was a major contributor to the crisis.

He cited the barriers to transparency as: a lack of global communication; a regional approach to trade reporting; and significant legal barriers to global data sharing between regulators. He also expressed support for introducing legislation to enforce the correction of these issues.

According to Thompson, the global derivatives reporting that emerged after the crisis was developed on too much of a regional basis, creating an inconsistent set of requirements. This lack of coordination means trade repositories have not met their potential as tools for monitoring systemic risk.

He also pointed out the need for global standards for transforming the data collected by repositories, in order to create helpful information on mitigating risk and achieve a better quality of data. Common identifiers such as legal entity identifiers (LEIs) and a common reporting vocabulary could help regulators to aggregate this data and put it to good use.

But these common standards will not be effective while cross-border data sharing is restricted, said Thompson. Under the Dodd-Frank Act, swap data repositories must obtain indemnification agreements before sharing information with other regulatory authorities.

This restricts the ability of regulators to make use of the trade repositories, limiting access to data among US authorities and regulators around the world.

He said: "While market infrastructures such as DTCC stand ready to help address these challenges, the best place for this dialogue to advance is among global regulatory bodies."

"These organisations must act with increased urgency to enact global data standards and develop appropriate governance frameworks to enable cross-border access to timely, accurate data. The US, along with its partners around the world, should continue to play a leadership role in these efforts."

Euroclear extends UK settlement day for direct bank participants

Euroclear UK & Ireland has extended its settlement day for direct participant banks to 6pm.

The securities depository operates the CREST settlement system in the UK and Ireland, including the Channel Islands and Isle of Man.

The extension of the settlement day comes after a review by the Bank of England, and intends to align the CHAPS and CREST settlement day with the business hours of participants.

It will allow for greater flexibility, as banks will be able to set later transaction deadlines, and could include high-value payments and balance sheet investment, and funding decisions.

John Trundle, CEO of Euroclear UK & Ireland, said: "There is a growing global trend for financial services to be available for longer business hours. We are pleased to help the payments industry offer longer hours, in particular by facilitating the collateral movements which support their payments activity."

The change is expected to come in to effect in summer next year.

Singapore approves Deutsche Börse clearinghouse

Deutsche Börse has been granted regulatory approval from the Monetary Authority of Singapore to operate its clearinghouse Eurex Clearing Asia.

The clearinghouse is part of a new trading and clearing offering for investors, which will offer trading opportunities in the Asian time-zone. The initiative also includes a new trading venue, Eurex Exchange Asia.

Deutsche Börse will now file an application for the clearinghouse to be recognised as a third-country central counterparty (CCP) by the European Securities and Markets Authority (ESMA).

If granted ESMA approval, Eurex Clearing Asia will make Asian clearing services available to market participants based in the EU.

NSD introduces ISO 20022 for e-proxy voting

Russian issuers have moved to ISO standards for messaging and e-proxy voting at their shareholder meetings.

In May and June, when the majority of shareholder meetings were conducted, 79 issuers used the ISO 20022 messaging standards—the international standard for corporate actions.

Shareholders now have the opportunity to receive meeting information and materials remotely, and can also vote on agenda items and access meeting results.

The move intends to improve the quality of corporate governance in Russia and to make it easier for shareholders to exercise their rights. As part of the corporate actions reform, the eventual aim is to make Russian assets more attractive.

The reform should also help to make procedures more transparent and convenient, and reduce costs of participation in meetings.

In August 2014, Russia's central security depository, the National Securities Depository (NSD) launched e-proxy voting on a local basis, and the ISO standard became available in April of this year.

Eddie Astanin, chairman of the NSD's executive board, said: "Previously, we used international experience and brought to Russia those institutions and technologies that had become best practice, for example, the central securities depository. However, after the implementation of electronic technologies at shareholder meetings, the Russian financial infrastructure has moved to the forefront of the global industry."

He added: "We have every reason to speak about a significant coverage and a gradual switch to the international format for companies that are still using the local format."

Russia becomes the latest market to use electronic voting to increase participation. When it was implemented in Turkey in 2011, attendance at shareholder meetings increased more than five-fold.

Lanware wins 4-year tech contract

Financial services technology provider Lanware has been appointed as the sole provider of outsourced technology services for the UK and Ireland business of Mitsui Sumitomo Insurance at Lloyd's (MSIG).

The four-year contract follows a benchmarking exercise by an independent research organisation, and reflects Lanware's previous support of the firm, and its services specifically designed to support MSIG's business plan.

The services are designed to support service levels, flexibility, reporting and oversight, and to manage risk and regulatory compliance, allowing MSIG to focus on its core business.

Lanware will also work on the next generation of outsourced infrastructure, with a focus on cost optimisation, and take over functions including infrastructure, networks and disaster recovery. It will treat cyber security as a priority, taking a pro-active approach to security systems.

Managing director of Lanware, Henry Duncombe, said: "This contract represents a new era for Lanware where it has drawn on all its experience to date within financial services, working collaboratively with MSIG to push the boundaries and create a leading edge and industry focused service which is unique within the Lloyd's market place."

Sweet Q2 for State Street

State Street has seen an increase in its servicing fees in Q2 2015, reaching a total of

just over $1.3 billion, an increase of 2.9 percent compared to Q2 last year, and 4.1 percent over Q1 2015.

Primarily, the increase has been attributed to net new business and generally stronger global markets. However, the increase on the same period in 2014 was partially offset by a stronger US dollar.

New asset servicing mandates won in Q2 2015 amounted to a total of $143 billion, while asset management saw outflows of $65 billion.

State Street also revealed increases in its securities finance revenue, which reached $155 million in Q2 2015.

This result represents an increase of $54 million, or 53.5 percent compared to Q1, a jump that was primarily attributed to seasonality. However, it is also an increase of 5.4 percent compared to Q2 2014.

Joseph Hooley, chairman and CEO of State Street, said: "Q2 2015 results reflect the strength of our core business, as evidenced by 4 percent growth in servicing fees compared to the first quarter of 2015, and also reflect the benefit of seasonal securities finance activity."

He also pointed out: "Towards the end of Q2 2015 we saw a number of significant market disruptions, including the possibility of Greece exiting the eurozone and elevated equity market volatility in China, all of which drove markets down in June and reduced risk appetite."

As of the end of June 2015, State Street had $28.7 trillion in assets under custody and administration, and $2.4 trillion in assets under management.

Spike in depository receipt programmes for pharma

BNY Mellon has seen significant depository receipt activity in the pharmaceutical and biotechnology sector in the first six months of 2015, with the industry accounting for 67 percent of capital raised in this way.

As of June 30 2015, BNY Mellon facilitated 21 depository receipt offerings, raising a total of $3.8 billion. Of these, 14 were from the bio-pharma sector, raising just under $1.3 billion.

Pharmaceutical and biotech firms accounted for more new depository receipt programmes in June than any other sector—of 34 new programmes, 10 were from this sector. BNY Mellon was depository for 24 of the programmes, or 70 percent.

Of all healthcare, biotech and pharmaceutical companies that have raised capital through depository receipts over the last three years, BNY Mellon has been depository for more than half of them.

The volume of depository receipts traded reached 81.6, an 8.6 percent increase compared to the same period last year, while the value increased by 4.9 percent to reach a total of $1.57 trillion. This represents the highest volume and value of depository receipts traded since 2011.

BNY Mellon's capital raised from depository receipts dipped compared to the same period in 2014. Last year, 41 capital-raising transactions totalled $9.1 billion, and this year 21 offerings raised $3.8 billion, with 18 of these listed on exchanges in the US.

The total level of global investment in depository receipts remained fairly stable, however, at about $825 billion.

Denmark, Russia and Japan were the best performing depository receipts country indices, seeing increases of 20.6 percent, 19.6 percent and 14 percent, respectively.

Christopher Kearns, CEO of BNY Mellon's depository receipts business, said: "Bio-pharma companies, especially those in Western Europe, have been quite active in choosing depositary receipts as a means to raise capital and build awareness with US investors and the analyst community."

"Depository receipts have been a conduit connecting many of these smaller, innovative firms with a wider investment community worldwide."

He added: "While investors these first six months weathered market volatility as well as concerns such as the Greek debt crisis and growth rates in China, depository receipt trading numbers rose to their highest levels in four years. The continued enthusiasm for depositary receipt listings suggests that global investors recognise how DRs can help diversify their portfolios to suit a variety of market conditions."

The first half of 2015 also saw two firsts for the industry and BNY Mellon.

Edita Food Industries used BNY Mellon for its listing on the London Stock Exchange (LSE), creating the first global depository receipt capital raised from Egypt since 2008.

BNY Mellon was also the depository for Fondul Proprietatea, a joint stock company operating as a closed-end investment fund in Romania, which became the first ever closed-end fund to list on the LSE's Specialist Fund Market in depository receipt form.

Generally, these depository receipts represent the shares and trades of non-US traditional and over-the-counter markets and stock exchanges around the world. Globally, there are more than 3,650 depository receipt programmes available.

Stable funding key to expansion, says Wolters Kluwer

Banks should be cautious if considering expanding their business, and should avoid over-reliance on wholesale funding, according to a whitepaper by Wolters Kluwer Financial Services.

The paper, Managing NSFR by Matching Conversion Ratios, looked in to the net stable funding ratio (NSFR), part of the Basel Committee reform, and encouraged institutions to conduct their own strategic analysis in line with the guidelines.

In the case of business expansion, it suggested that firms should develop their own retail and small business to control net funding, and highlighted the importance of sustainable funding, driven by effective asset and liability management.

According to the report, some banks struggled during the financial crisis because they failed to properly manage liquidity. The NSFR will mean banks have to maintain a stable fund profile in relation to their assets and activities, calculated by dividing available stable funding by the required stable funding.

Banks should already analyse their fund determinants and ratios before the NSFR comes in to effect in January 2018.

Spark Wang Jun, a senior regulatory expert at Wolters Kluwer Financial Services and author of the report, said: "Sustainable funding will be of vital significance going forward, especially for the financial institutions heavily reliant on wholesale funding."

He added: "This is a key factor to be reconsidered during the decision making for the divestment of retail business units."

Strong Q2 for BNP Paribas

BNP Paribas has seen significant increases in its securities services and prime services revenues in Q2 of 2015.

The securities services business reached revenues of €476 million, an increase of 14.4 percent compared to Q2 2014. This was attributed to general good business drive, with the number of transactions reaching 18.1 million, an increase of 19.3 percent.

Assets under custody increased by 17.8 percent to reach €8.1 trillion, and assets under administration saw an increase of 30.8 percent, reaching €17.8 trillion.

In the prime revenue space, revenues increased to over €3 billion, a 15.6 percent increase compared to Q2 last year, which reached €2.64 billion.

As well as the securities services business, the other two business units also saw growth. Global markets increased by 24.5 percent, and corporate banking saw a more modest increase of 3.8 percent.

Equity and prime services revenue increased by 22.2 percent compared to Q2 2014, reaching €621 million, however this represents a dip compared to Q1 2015, which reached €720 million.

The increases were again attributed mainly to a generally favourable environment in the global and equity markets.

ForexClear and CLS collaborate on FX settlement

LCH.Clearnet's ForexClear is launching a new service, developed with CLS, to allow physical settlement of cleared foreign exchange (FX) products.

The service is designed to improve risk management and efficiency, and generally improve confidence in the financial marketplace. It will give ForexClear participants access to a broader range of clearing services.

Settlement services will be operated by CLS, and should launch in 2016, subject to regulatory approval.If all goes to plan, it will expand to include other FX products, in line with demand.

Gavin Wells, who is global head of ForexClear at LCH.Clearnet, commented: "By providing access to compression and netting services in the $275 billion-a-day FX options market, this strategic initiative is playing a broader role in the industry-wide adoption of over-the-counter clearing."

Chapman's Eye on the market

Cost versus price versus value

One of the revelatory pieces of information emanating from the ongoing London Underground dispute is that a newly qualified Tube driver receives a base salary of around £50,000 and can get up to 43 days' annual leave. This is in comparison with a newly qualified nurse who earns approximately half of that amount. This, tangentially, brings up an interesting question—how much is a banker actually worth in terms of remuneration? The subject of bankers' pay is often used as a lightning rod for public disapproval and has become synonymous, in the mainstream media at least, with high cost for little return.

In practical terms, it's easy to say how much actually gets paid by way of salary and bonus, but how does that equate to the benefit they bring in? Ostensibly, if a custody salesperson brings in X amount then it can be quantified, but how much of that win is due to the infrastructure—both physical and human—already in place? If a fund manager's stock picks eventually tank, should they have received large salaries and bonuses in prior years, ie, is remuneration risk-weighted, risk-related or risk-rewarded, and if not, then should it be? If a mergers and acquisitions banker's deal does not bring the value that was initially envisaged or promised, should they receive the significant remuneration they do?

The clawback rules recently introduced by the UK Financial Conduct Authority are a tentative step in the direction of remuneration reduction, however, at present this will be as a result of misconduct as opposed to poor judgment, lack of skill or indeed the vagaries of the secondary markets.

When the public clamours for remuneration reduction, ie, all bankers should be paid a base salary of £40,000, they are ignoring two simple, practical facts: those of supply versus demand and the ease of movement of labour. If the UK was to impose such a cap on remuneration, then the human capital would simply move to the next country where they would be rewarded appropriately for plying their trade. Such an option would only work if every country, from Andorra to Zimbabwe and everywhere in between, imposed a similar cap, which is not going to happen for numerous and obvious reasons.

While the basic concept of supply versus demand goes some way towards answering the question of why a banker is paid what he or she is, it doesn't answer the moral question of whether or not they should earn exponentially more than a nurse, a doctor, an airline pilot or a carer, all of whom arguably have more stressful roles with more tangible, immediate and personal results.

In a perfect world, everyone would be rewarded commensurately based on a huge variety of factors, including value to the community, the skill, education and expertise required to perform the role, the level of personal risk involved, and demand for their services. However, as we are all only to painfully aware the world is not perfect and it 'is what it is'.

In saying that, a recently published book, Doing Good Better by John Arlidge, poses the question: "What does more good—(a) giving money to a disaster relief charity, (b) buying Fairtrade goods or (c) working in a City bank?"

Surprisingly—and as ever, space limits me from explaining the rationale behind this contention—the correct answer is 'c'. Read the book to find out more!

Paul Chapman, managing director, HornbyChapman Ltd

SLT SECURITIES**LENDING**TIMES

In association with CONSololtd

Securities Finance Transaction Regulation 2016

Date: 12 November 2015 | Location: London, UK

SLT in association with Consolo Ltd will be putting on this one day event which is designed as a crash course in all the regulatory initiatives in progress that may have a direct impact on securities lending.

The agenda will include the following initiatives, although others may be included as the regulatory environment continues to evolve:

- Securities Finance Regulation
- CSDR and T2S
- Resolution stays
- AIFMD
- CASS
- EMIR
- Taxation
- Basel III
- CMU

Whilst this list is not exhaustive, it should be noted that these regulations are in development phases and not yet finalised. The presentation will provide up to date status reports for each regulatory initiative.

Attendees: This is intended for anyone directly or indirectly involved in securities financing.

Facilitator: Sarah Nicholson, Consolo Ltd

To register: Email Justin Lawson - justinlawson@securitieslendingtimes.com

Expanding horizons

Fund administrator Maitland has chosen Oracle as its technology partner for transfer agency. Anand Ramachandran and Jim Clark talk market evolution, operational efficiency, and old-fashioned customer service

STEPHANIE PALMER REPORTS

Maitland and Oracle have recently paired up for transfer agency—what has led up to this?

Jim Clark: Our history in the fund arena is in South Africa, but we're now expanding to be more international. One of the key products that we offer is transfer agency and, historically, we used a South African platform for that system, but we found that that's not going to work on a global scale.

One of our philosophies as a business is that we don't develop technology; we source the best applications already on the market. We did a lot of research and eventually settled on Oracle's FlexCube system.

Anand Ramachandran: Oracle has been providing technology for global banking and financial services for more than 20 years, including solutions for the transfer agency space. We have already successfully delivered global solutions for large clients in this space, and we have a good market share in South Africa. So, we are the right platform to bring out the value of Maitland's transfer agency product and we can bring out more value as Maitland makes its transformation, not just in South Africa but internationally.

Why is Maitland expanding now? What's the significance of the timing?

Clark: There are a couple of reasons. Maitland has a lot of business in South Africa and several product lines, and once any firm feels it's in good condition in its own market, it's natural to start looking elsewhere for growth. A lot of our clients in South Africa are doing the same thing, so the timing feels right in that sense.

The second reason is more product-based. We believe that transfer agency is going to become more important to asset managers—and when we're talking about transfer agency we're really talking about supporting the distribution of products, which is becoming more complex. More servicing is required and asset managers are starting to look for more consistency, more efficiency and a better service for both the investors buying their products and the distributers selling them.

Global regulations have played a part as well. One of the key regulatory roles we play is in the know-your-client (KYC) and anti-money laundering (AML) validation of clients. It's political and very high-profile at the moment, so one of our key criteria was to have strong functionality in the technology that would allow our staff to carry out all the checks necessary to meet the increasing level of regulation in this space.

Ramachandran: Some of the large custodian banks that have been dominant in this space in the past have gone in to liquidity or 'capital crunch' post-crisis, so a lot of non-bank fund administrators have been presented with an opportunity window as large custodian banks retreat from this space. Meanwhile, some custodian banks are still looking towards the transfer agency business and fund services for an alternative source of prosperity. Asset managers are, to some extent, caught between the kinds of service levels they will get with these banks compared to non-bank administrators such as Maitland.

That is one trend we're observing now, as well as the recent impact of regional and global regulations in this space, and we believe that the specialists that are more focused on this space tend to deliver better services to asset managers.

Why is transfer agency becoming so much more prevalent in the fund administration space?

Clark: Traditionally, this service was conducted in-house, so I think there is just more interest in outsourcing now, and that requires administrators like us to provide an enhanced service. Asset managers are focusing on their core business—managing money, creating performance, servicing clients and building products—not doing administration. Managers are also increasingly outsourcing those AML-driven regulation processes to reduce some of the risk that comes with that.

Investment in technology continues to grow, and our job as a third-party administrator is to build one infrastructure that many people can use, as opposed to an asset manager building its own structure that can only be used for one thing. When companies see the amount of investment they need to put in to transfer agency to keep up-to-speed with what the market wants and what the regulator wants, it's daunting, and that's also increasing the drive towards outsourcing.

Ramachandran: There is another trend emerging from a new paradigm evolving in this space, and that is making everything more customer-centric, focusing on the digital experience you can deliver to the administrator's clients—the asset managers and the intermediaries—and the end investors. Enabling core processing platforms in the transfer agency back-office is one part of it, but it should also be a good foundation to leapfrog to the next-generation digital experience, enabling self-service capabilities for asset managers, intermediaries and investors, for example.

In the next few years, there may be a point where older legacy platforms will have bottlenecks, and may not be able to provide the new services available on the market. Transfer agents must have the scale to expand proportionally with their clients, and to do this they have to be forward-looking. They can't be using technology that's two decades old.

Clark: These days, a lot of technology and services are very product-specific. Firms might have one system for a unit trust, one for supporting a pension fund, one for a retirement annuity, one for a hedge fund, and so on. They're all different systems doing different things, each with a different customer experience.

It can be very fragmented, but now asset managers want a single platform that allows them to sell their investors a consistent experience, so whether a client buys their investment story through a unit trust, a tax wrapper, or a pension fund, the asset manager wants to give their investor the same experience.

How important is it for the technology to be flexible?

Clark: It's very important—hence the title FlexCube—but its not just about the technology. Given that the asset manager is creating the product, it's important to be flexible in terms of the product they choose to sell to the market, and in creating a consistent service. Asset managers want to sell as many products to as many investors as they can, and they want to offer a range of simple and complex products. There's a demand now for them to provide a consolidated service across all those products, instead of a fragmented one.

Ramachandran: Another aspect is that many of the transfer agency providers carry multiple core platforms and therefore they have many satellite services around those platforms. Operational efficiency is reduced, client experience is fragmented and transfer agency becomes a drag on a business already running on very thin margins. That then affects customer service; it becomes a double-edged sword.

The more efficient companies can be in terms of what they can process on a common platform, the better service they can deliver to their customers. Only then can they start winning additional business and growing their footprint. The time has come for a consolidated common platform, irrespective of product lines, market, or currency.

A single platform delivering next-generation client experience with enhanced operational efficiency really takes transfer agency services to next level of maturity.

Clark: Keeping clients happy is the key to any business, and I think transfer agency is often regarded as a process and a function. Part of the maturing of this aspect of the industry is a move to thinking about the client experience rather than pure processing.

There is, of course, a commercial angle too—we believe that this is a space we could do very well in. The first part of growth is having the best possible core system, and the starting point for us is finding the right partner for that core system. That is exactly what we've done with Oracle. **AST**

Anand Ramachandran
Senior director of global banking solutions practice
Oracle

Jim Clark
Head of transfer agency services
Maitland

Industry Events

FundForum Middle East 2015

Date: 5–6 October 2015
Location: Dubai

Saudi Arabia opened its markets to foreign direct investments on 15 June. There has never been a more pertinent reason to invest into Middle Eastern markets and the FundForum community can't wait to explore and discover those opportunities during our 9th annual FundForum Middle East conference in October in Dubai.

NeMa Americas 2015

Date: 27–28 October 2015
Location: Miami

The conference provides a unique gathering of industry speakers, from global and sub-custodians, brokers and exchanges to CSDs, CCPs, regulators and technological innovators. Do not miss this opportunity to find out from your peers, both on and off the record, how to survive and excel beyond 2015.

Industry appointments

Data management platform provider Accudelta has hired **Oonagh O'Mahoney** as senior vice president of business development in Europe, to lead the growth of the business in the region.

O'Mahoney's experience includes senior roles at Goldman Sachs, Henderson Investors and HSBC.

Managing director of Accudelta, Conor Smyth, said: "[O'Mahoney] brings an impressive track record of achievement in the asset management industry and we're pleased she has decided to join us. We have ambitious growth plans and her skills and experience will be integral to achieving them."

Mercer Investments has hired four new executives as part of the continued growth of its investment business.

Chad Hueffmeier joins as senior financial strategy consultant with a focus on pension risk management and transfer, and **Grace McAdam** will be client advisor for investment performance and risk, policy and governance of institutional assets.

Gina Hughes joins the New York office as project manager and annuity placement specialist for pension risk transfer settlement strategies, and **Melissa Latore-Moore** will be an annuity placement specialist, helping to develop and market Mercer's annuity placement and due diligence services.

Rich Nuzum, head of investments for Mercer in North America, said: "These hires are reflective of the steady growth Mercer Investments has achieved in the last several years."

Pat Curtin has moved to the role of head of sales and client management for global custody at Citi, also covering fund services and agency lending.

He is moving on from his position as head of fund services, and his responsibilities will be taken over by **Sanjiv Sawhney**, who becomes global head of custody and fund services.

Previously, Curtin has worked at SWIFT and BNY Mellon. He will now report to Alan Pace, Citi's global head of sales for investor services.

Tokyo-based Nikko Asset Management has expanded its team of executives in Hong Kong and Singapore.

Eleanor Seet has been promoted to the position of head of Asia, excluding Japan.

Seet has been with Nikko since 2011, and has been credited with helping to develop the region as the firm's major base for Asian fixed income and equity business, and global multi-asset investment.

Yasuaki Ogiwara has also joined as president of Nikko Asset Management in Hong Kong, from his previous position as president of Nomura in Hong Kong.

Takumi Shibata, president and CEO of Nikko Asset Management, said: "As a major global asset manager headquartered in Asia, we are in the right place at the right time. We are uniquely positioned to serve the needs of investors not only in this region, but around the globe."

Institutional Shareholder Services (ISS) has appointed **Shinbo Won** as head of Asia Pacific research.

Won will lead a team providing proxy research and recommendations for shareholder meetings in 14 Asia Pacific markets outside of Japan.

Lombard Risk has appointed **Kieran Lees** to the newly created role of global sales and marketing director.

Lees will oversee and expand global sales activity at Lombard Risk. He has 25 years of experience and has held positions at Oracle, Sun, NCR and Computacenter, with a strong track record in leading revenue growth.

Deutsche Boerse has appointed **Rob Jolliffe** to the newly created role of global head of sales.

He will report directly to CEO Carsten Kengeter and takes responsibility for all sales activity for the Deutsche Boerse group. He will work on enhancing client focus and integrating all products to create better services. **AST**

ASSETSERVICINGTIMES

Editor: Mark Dugdale
markdugdale@assetservicingtimes.com
Tel: +44 (0)203 750 6022

Reporter: Stephanie Palmer
stephaniepalmer@blackknightmedialtd.com
Tel: +44 (0)203 750 6019

Reporter: Becky Butcher
beckybutcher@blackknightmedialtd.com
Tel: +44 (0)203 750 6018

Account manager: Serena Franklin
serenafranklin@assetservicingtimes.com
Tel: +44 (0)203 750 6024

Publisher: Justin Lawson
justinlawson@assetservicingtimes.com
Tel: +44 (0)203 750 6028

Marketing director: Steven Lafferty
design@securitieslendingtimes.com

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