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Goldman launches UCITS platform

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Goldman Sachs has announced the launch of a UCITS platform for third party fund managers. The platform will utilise Goldman Sachs' prime brokerage division.

The Luxembourg-based Sicav is being launched at the same time as two sub-funds run by Goldman Sachs and the bank says it is working with a number of other hedge fund managers, with the expectation they will launch on the platform in the third quarter.

"We believe that the platform offers our hedge fund manager clients an innovative solution to help them meet the diverse requirements of their investors in a simple and effective manner," said James Paradise, the firm's global co-head of prime brokerage, commenting in a company statement.

Lawrence Staden, managing director of GLC, added: "We chose this platform to launch our UCITS funds both because of our long relationship with Goldman Sachs and also because we felt our strategies and their platform offered a genuine realisation of the Ucits ethos."

The bank already has a UCITS platform for its $3 billion in internally managed funds. Other banks have already entered the market as a third party provider, including State Street and SEB, while several others are gearing up to offer UCITS compliant services. Both State Street and Northern Trust have introduced KIID reporting functionality and BNP Paribas has a significant offering.

Bank of America Merrill Lynch currently holds the largest dedicated Ucits platform for hedge funds, with Schroders and Morgan Stanley also managing umbrella services.

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Citi establishes DCC services in Panama

Citi, through its Global Transaction Services business, has begun to provide Direct Custody and Clearing (DCC) services to clients investing in Panama. This new offering expands Citi's proprietary DCC network to eight markets across Latin America.

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BNY Mellon selected by Formula Investing Funds

BNY Mellon Asset Servicing has been selected to provide its mutual fund turnkey solutions product, FundVantage Trust, which includes fund accounting and administration, custody, transfer agency, and underwriter services, to Gotham Asset Management, LLC.

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Citi establishes DCC services in Panama

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With its sub-custody services, Citi opens the door of the Panamanian capital markets to international investors.

"We are delighted to offer Direct Custody and Clearing services in Panama, which is the leading economy in Central America," says Lee Waite, Global Head of Direct Custody and Clearing, Citi. "This opening marks a major milestone in Citi's proprietary DCC network and demonstrates our long-standing commitment to support our clients in accessing the growing capital markets in Panama, Latin America and around the world."

The DCC services Citi is now providing in Panama are being supported by Citi's Regional Service Center in Tampa, Florida to achieve consistent processing, standardize reporting, implement uniform technology and have the ability to resource reallocation to accommodate changes in capacity and volume.

Direct Custody and Clearing plays an integral role in the capital markets by providing the clearing and settlement services for broker dealers and global custodians to support trading and investing activities around the world.

BNP Paribas launches HK share registration service

BNP Paribas Securities Services has launched a share registration service in Hong Kong and joined the Hong Kong Federation of Share Registrars (FSR), strengthening its on the ground support for clients seeking IPOs or dual-listings in the Asian financial centre.

As a member of the Hong Kong FSR, BNP Paribas' clients will be able to tap into the liquidity opportunities in Hong Kong – including the imminent introduction of dealing in listed RMB-denominated securities on the Hong Kong Stock Exchange.

"The launch of our share registration service enables even more companies to take advantage of the opportunities presented by a global capital environment that is increasingly focused on Asia," said Bruno Campenon, head of BNP Paribas Securities Services in Hong Kong.

"European-based clients looking for a share registry solution in Hong Kong now have the option of BNP Paribas. In us, clients can be confident of a truly global service provider, equipped with the local connectivity to ensure innovative solutions that are fully compatible with their own needs" Campenon added.

BNY Mellon selected by Formula Investing Funds

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Gotham Asset Management, LLC, based in New York City, is utilising FundVantage Trust to launch its Formula Investing Funds, which comprise two US equity and two international equity mutual funds.

"By using BNY Mellon's services, we were able to launch our mutual funds more quickly and less expensively than if we had to build out our own infrastructure," said Blake Darcy, chief executive officer of Gotham Asset Management.

"We continue to see strong demand for our FundVantage mutual funds solutions product," said Jay Nusblatt, head of US fund accounting and administration at BNY Mellon Asset Servicing. "This product enables investment advisers to create their own mutual funds within a turnkey solution and is ideal for investment advisers and sponsors that want to focus on managing investments and distribution, while outsourcing most of the fund administration, processing and regulatory support functions to a team of experienced service providers."

DAP and Paladyne launch direct service

Direct Access Partners and Paladyne Systems have announced a strategic relationship to provide Paladyne FastStart, directly to clients of Direct Access Partners.

The combined offering provides emerging to medium-sized fund managers with a cost-effective institutional-grade technology solution that streamlines their trading and operations as well as enhances their ability to address due diligence concerns in today's demanding capital raising environment.

DAP clients will receive a number of key benefits from Paladyne FastStart:

- Turn-key technology platform: Paladyne FastStart is a complete front- to back-office technology solution for hedge fund managers including: end-to-end electronic trading, order management, pre/post-trade compliance, real-time P&L monitoring, position keeping and portfolio management, firm-wide reporting and automated reconciliation to 3rd-party counterparties such as prime brokers and fund administrators. Paladyne FastStart is a fully hosted ASP solution including hardware, connectivity, 24x7 IT support and full disaster recovery, which allows hedge funds to operate their businesses at minimal cost with no IT infrastructure requirements.
- Broker-neutral platform: Paladyne FastStart provides hedge funds a true multi-prime trading and portfolio management solution that is broker-neutral and provides full operational support for any combination of prime brokers and service provider relationships.
- Managed account platform: Paladyne FastStart provides full operational support for managed accounts with flexible trade allocation, compliance monitoring, automated reconciliation, and firm-wide aggregated reporting across all funds and managed accounts.

Ben Chinea, CEO of Direct Access Partners, commented: "Paladyne has set the technology gold standard. We are committed to provide our clients the best value - be it capital raising or trading solutions. The increase of institutional investment in hedge funds requires that our clients have world-class operations and technology solutions. Paladyne is the leading provider to these firms and we are pleased to provide our trading and prime brokerage customers the Paladyne FastStart solution."

Sameer Shalaby, CEO of Paladyne Systems, said: "Direct Access Partners has earned the respect and loyalty of its clients by providing value through its institutional trading and capital raising capabilities. DAP clients who leverage Paladyne are at a distinct competitive advantage in terms of capital raising and operational efficiency."

BNY Mellon appointed by BioLineRx

BNY Mellon has been selected by BioLineRx as the depositary bank for its American depositary receipt (ADR) programme.

Each BioLineRx ADR represents 10 ordinary shares and trades on the NASDAQ Capital Market under the symbol "BLRX." BioLineRx's ordinary shares trade on the Tel Aviv Stock Exchange under the symbol "BLRX."

BioLineRx is a biopharmaceutical development company dedicated to building a portfolio of products. BioLineRx's current portfolio consists of five clinical stage candidates for schizophrenia, treatment of patients following a myocardial infarction, non-surgical removal of skin lesions, neuropathic pain, and inflammatory bowel disease. BioLineRx also has nine products in various pre-clinical development stages for a variety of indications, including central nervous system diseases, oncology, infectious diseases, cardiovascular and autoimmune diseases. The company performs feasibility assessment studies and development through pre-clinical and clinical stages, with partial funding from the Israeli Government's Office of the Chief Scientist.

"Listing our ADR on NASDAQ is a landmark step in the development and growth of our company, as we look to expand our presence in the U.S.," said Dr. Kinneret Savitsky, chief executive officer of BioLineRx. "We are pleased to partner in this effort with BNY Mellon, the leader in depositary receipts. We believe its experience working with Israeli issuers and its breadth of services will ensure strong support for our listing as well as our shareholders."

"BioLineRx is the second Israeli bio-med company to create an ADR program this year and the first to list its ADR on a major US exchange," said Michael Cole-Fontayn, chief executive officer of BNY Mellon's Depositary Receipts business. "Israel's bio and tech sectors continue to develop innovative new technologies and companies. We've been supporting Israeli companies' expansion in the global markets for nearly 25 years and will work closely with BioLineRx's team to make their listing a success."

BNY Mellon launches iPad app

BNY Mellon has launched Workbench Mobile, a new app enabling the firm's institutional clients to authorise instructions and securely access key reports and account information from their iPad.

Workbench Mobile is available now for download to registered Workbench users at the App Store through BNY Mellon Connect Mobile. The new app will be accessible by more than 30,000 client users.

With Workbench Mobile, clients of BNY Mellon Asset Servicing will be able to easily view and monitor a wide range of account investment and performance data, industry news updates, and more. Available features include:

- Recent Reports – view Workbench reports run over the past 10 days in PDF format
- BNY Mellon Regulatory News – updates on industry regulations and thought leadership
- Valuation Dashboard – drill-down into account valuation changes and chart by manager, asset type, currency, country or security
- Lookup Exposure to Issuers – view portfolio exposure across accounts and asset classes
- Authorise Cash Instructions – for custody clients who manage cash through Workbench

"Plan sponsors and investment managers increasingly are using their mobile devices to stay informed, take action, and be more productive no matter where they happen to be," said Dan Wywoda, head of global product management for BNY Mellon Asset Servicing. "From proprietary systems to web-based platforms and now mobile apps, we're witnessing a revolutionary liberation of data that's transformed how people do business and how industries like ours need to respond.

"We worked closely with our mobile technology client advisory group to design the new app, ensuring their feedback was built into the final product, including the vital need for maintaining a protected, secure environment," Wywoda added.

J.P. Morgan selected by AQR Capital Management

J.P. Morgan has been selected by investment management firm AQR Capital Management, adviser to the AQR Funds, to provide prime custody and fund administration to its newly launched mutual fund -- the AQR Multi-Strategy Alternative Fund. As described by AQR, the fund seeks exposure to the following sub-strategies: convertible arbitrage, event driven (including merger arbitrage), fixed income relative value, equity market neutral, long/short equity, dedicated short bias, global macro, managed futures and emerging markets.

AQR manages approximately $40 billion in both long-only and hedge fund assets for some of the largest institutional investors in the US, Europe, Australia and Asia. According to AQR, the fund was created to provide mutual fund investors with access to several alternative and innovative investment strategies.

"We are pleased to be launching this fund which leverages J.P. Morgan's integrated offering. This is a complex fund spanning multiple asset classes including equities, bonds, currencies, commodities, credit derivatives, convertible securities, futures, forwards, options and swaps. Our decision to partner with J.P. Morgan reflects our confidence in their ability to support us across this multi-faceted and diverse set of assets and strategies," said David Kabiller, founding principal of AQR Capital Management, LLC, the investment adviser to AQR Funds.

Devon George-Eghdami, managing director and head of prime custody solutions, said: "We are delighted to expand this relationship with AQR. The fund requires integrated functionality across equity prime brokerage, futures and options, custody and fund administration to support its complex, alternative strategy which J.P. Morgan is uniquely positioned to provide."

J.P. Morgan transitions APG's emerging market assets

J.P. Morgan's Worldwide Securities Services business has successfully transitioned $12.5 billion in emerging market assets for APG, the Dutch pension administrator and asset manager, in one of the biggest transitions of its kind. The transaction builds on J.P. Morgan's ability to execute complex transactions, as well as its long-standing relationship with APG, for which it provides investment banking, asset management and treasury and securities services, such as global custody and fund accounting.

The transferred assets are invested in over 30 emerging markets, making it one of the biggest and most complex transitions due to the tax, legal and multiple market implications that were managed. The assets were transferred into a newly-created entity, the APG Emerging Markets Equity Pool, an FGR structure which is part of the integral investment proposition that APG offers as a third-party asset manager.

Separately, APG has retained J.P. Morgan as its global custodian for emerging market assets.

Francis Jackson, managing director, J.P. Morgan Worldwide Securities Services in Europe, Middle East and Africa, said: "We are delighted to extend our relationship with APG, and are extremely proud of the cooperation between the respective teams at J.P. Morgan and APG who worked together to make this transaction a success. We have a growing custody franchise in the Dutch market, which is an important part of our European business and one in which we anticipate continued strong growth in the coming years."

Ruud Gilissen, managing director, client and fund administration at APG, said: "The team at J.P. Morgan has extensive experience with complex transitions and we were pleased with the speed and efficiency with which the transition was performed. In addition, we are delighted to have retained J.P. Morgan as our global custodian for these emerging market assets."

Luxembourg prepares for AIFMD

On the 1st July 2011, the Alternative Investment Fund Managers Directive (AIFMD) was published in the Official Journal of the European Union. This Directive will regulate the activities of entities engaged in the management and administration of funds that are not UCITS funds. It also lays down rules for the marketing of those funds to professional investors within the EU.

On the same day, the Luxembourg Government approved a draft bill of law modifying the law on Specialized Investment Funds (SIF), the investment vehicle of choice for non UCITS in Luxembourg. Although not yet the official transposition act, this bill purports to adapt the SIF legislation to certain aspects of AIFMD, notably in terms of delegation and risk management as well as integrate certain improvements (such as cross-compartment investments) that were previously introduced for UCITS. These changes will also enable the Luxembourg legislator to fine tune the level of regulation applied to SIFs in Luxembourg, further improving the overall quality of that product which has experienced a tremendous success with more than 1,200 SIF launched since 2007.

"Combined with the CSSF's (Commission de Surveillance du Secteur Financier) practice to provide feedback within 10 working days on applications to launch, the SIF is now perfectly designed to become the preferred vehicle for asset managers wishing to benefit from the passport that the AIFMD will grant to alternative fund managers as of 2013" commented Marc Saluzzi, chairman of the Association of the Luxembourg Fund Industry (ALFI).

According to EFAMA statistics, Luxembourg is today the second biggest domicile for non-UCITS funds in Europe. At the end of May 2011, 50 per cent of the 3749 Luxembourg domiciled

funds were non-UCITS (1266 SIFs; 619 UCIs). The bill of law will now be submitted to Parliament for approval and is expected to enter into force at the end of this year, in time for the beginning of the AIFMD transposition process into the Luxembourg law.

Delaware opts for BNY Mellon

BNY Mellon Asset Servicing has been selected to provide mutual fund sub-transfer agency services to Delaware Service Company, Inc., the transfer agent for The Delaware Investments Family of Funds and Optimum Fund Trust.

BNY Mellon will provide shareholder services, call center servicing and financial and regulatory reporting services for The Delaware Investments Family of Funds. It will provide various back office support functions for the Optimum Fund Trust. These two mutual fund complexes had a combined $36 billion in assets and more than one million shareholder accounts as of May 2011.

“We have selected BNY Mellon for its technology platform and scalable call center capabilities,” said Phil Russo, chief administrative officer of Delaware Investments. “We also view BNY Mellon as a key provider that can work with us to further strengthen our account servicing in today’s rapidly evolving marketplace.”

“We are pleased to extend our relationship with Delaware Investments, which has been a significant client for middle-office, custody, fund administration and fund accounting services,” said Michael DeNofrio, head of U.S. investor services within BNY Mellon Asset Servicing’s Global Financial Institutions business. “We look forward to further supporting Delaware Investments with our investor services technology and helping it compete in today’s challenging market.”

DST Systems to acquire ALPS Holdings

DST Systems, Inc. has signed a definitive agreement to acquire ALPS Holdings, Inc. through a merger with a wholly owned subsidiary. At closing, DST will pay $250 million funded from cash and existing credit facilities.

ALPS is a 25-year-old financial services firm that provides a suite of asset servicing and asset gathering solutions to the investment management industry. As of December 31, 2010, the firm managed more than $3.275 billion in assets and provided servicing to more than $291 billion in client assets.

The acquisition broadens the range of products and services DST will offer to the investment management and brokerage industries. ALPS’s asset servicing segment provides a comprehensive suite of turn-key outsourcing services including fund administration, fund accounting, transfer agency, legal and compliance, creative services and medallion distribution services to a broad set of asset managers across open-end funds, closed-end funds, exchange traded funds (ETFs) and hedge funds. ALPS’s asset gathering segment provides an advisory platform and scaled wholesale distribution to investment managers. Services include active distribution, closed-end fund IPOs, Liberty All-Star Funds and proprietary products. The distributor division services Select Sector SPDR ETFs.

The transaction, subject to regulatory approval and certain conditions, is expected to close in fourth quarter 2011. On a pro-forma basis, the transaction is expected to be accretive. DST plans to operate ALPS as a stand-alone entity. DST expects to realize $5 millionof annualized synergies in the first 24 months through rationalization of technology and service infrastructures. Prior to the realization of synergies and costs associated with rationalization, DST estimates that the transaction will break even in fourth quarter 2011 and estimates a contribution on a GAAP basis of approximately $.06per share during 2012. Excluding non-cash charges and costs associated with rationalization, the transaction is expected to deliver $.26per share during 2012. Upon completion of the transaction, ALPS’s financial results will be consolidated with those of DST, and will be reported as part of DST’s Financial Services Segment.

“This transaction further underscores our commitment to expanding our distribution support and asset gathering capabilities,” commented Tom McDonnell, CEO of DST Systems. “With our recent acquisitions of Finix Business Strategies and Subserveo, Inc., the company is well positioned to capitalize on the distribution side of the asset management industry. ALPS has a proven track record of managing, servicing and distributing products across the asset management spectrum, and we look forward to their continued growth and success.”

UBS GAM builds in Asia

UBS Global Asset Management has launched its Asia Pacific Fund Services business, which will provide fund administration and support to funds in the region.

UBS has established a client office in Hong Kong and a fund administration centre in Singapore. The business is headed by Thomas Wels, chief operating officer of Global Asset Management and head of fund services, with Colin Lunn, head of business development and client services, Fund Services in Asia-Pacific.

Huntington Asset Services to aid mutual fund launch

Huntington Asset Services will assist Longview Capital Management with its first mutual fund offering. The Delaware-based investment firm will offer a new mutual fund that will be serviced through Huntington Asset Services’ Valued Advisers Trust.

“We are pleased to help a respected investment firm like Longview Capital Management LLC launch its first mutual fund,” said Brian L. Blomquist, president of Huntington Asset Services. “Longview’s investment strategy and expertise is well respected in the industry, and Huntington is appreciative of the confidence being shown in our people and our solutions.”

Christian M. Wagner, Longview Capital’s chief executive officer and chief investment officer, said, “We selected Huntington Asset Services for its experienced team of professionals, extensive history of fund management and turnkey solutions. The series trust solution, the Valued Advisers Trust, was a perfect fit for our plans for the fund. In a competitive marketplace, it’s important for an investment advisor to focus on the investment process and growth. Huntington’s service model allows us to do just that.”

This represents the seventh advisor to launch its fund within this trust since its inception. Huntington Asset Services serves more than 20 advisors within its two series trusts.

SG awarded CDC mandate

Societe Generale Securities Services (SGSS) has been appointed by CDC Entreprises to provide trustee services for eight venture capital funds totalling more than EUR 3 billion.

CDC Entreprises is a management company accredited by the AMF (French securities regulator) and a wholly owned subsidiary of the CDC Group (Caisse des Dépôts et Consignation). More than 300 non listed shares were successfully migrated in less than a month.

Overlord selects RBC Dexia

RBC Dexia Investor Services has been given approval by the Autorité des Marchés Financiers (AMF), the French supervisory authority, to provide KIID services to Overlord Premium, the first French investment fund with a Key Investor Information Document (KIID).

RBC Dexia is providing its KIID services to the fund, which is managed by Overlord France Finance, an investment management firm whose President has 40 year’s experience in the market. The KIID became a legal requirement on July 1, 2011 as part of the UCITS IV legislation and offers potential investors an overview of the key features of all UCITS investment products.

“We are delighted that Overlord Premium has taken this important step with us to become the first investment fund in France to offer this important evolution in client information,” said David Dibben, Head of Global Fund Products at RBC Dexia. “As investors want more information for informed decision making and the ability to make product comparisons, the KIID is a welcome development.”

From July 1, 2011 all investment companies selling funds within EU member states must produce a KIID written in the local language of each country in which the fund is sold and the document will have to be regularly maintained and updated for accuracy.

Russia

Despite its many failings, Russia remains one of the world's most important markets

BEN WILKIE REPORTS

Russia remains an enigma to many. Blessed with huge natural resources - most of which are becoming more and more valuable as the world consumes more energy - significant private and institutional wealth and plenty of attractive domestic and international companies that international investors want to be involved with.

Yet its reputation means that the most conservative international funds don't want to get involved. While it has cleaned itself up over the years, many observers still consider it to have significant problems with corruption, patronage and a lack of a strong regulator.

Yet it is too big to ignore.

"We're in 10 countries, primarily the Nordics and the Baltics," says Ulf Noren, global head of sub custody at SEB. "Russia is a bit of a hybrid. There are some connections, it used to be part of one union [with the Baltics], there are similarities in language and culture. But it's a much more complex market and its size exceeds all other markets."

"We are positive on Russia, it's a country with a large number of natural resources and generally a high inflow of investment funds," continues Noren. "But we remain cautious."

Investment continues to pour into the market, however - it didn't suffer as badly as other major markets during the downturn and returns have generally been good. Scandinavian and central European funds consider it a major domicile, while interest from Asia and North America remains strong.

"The interest from investors is here," says Natasha Sidorova, director and head of securities services at ING Commercial Banking Securities Services. "The market is still not mature and remains well undeveloped." Sidorova adds that much of what is attributed to outside investment, however, is fromSPVs. "A lot of the non-resident investment comes from Russian SPVs established abroad," she explains."

Growth

It's easy to forget that this is still such a young market - if it were a person, it still couldn't buy alcohol anywhere except in Russia. As the markets liberalised, both international and domestic providers saw the potential and started offering as many services as possible. Sidorova estimates there are now around 700 institutions offering custody services in one form or another.

"The number of participants cannot be justified by the size of the market," she says. "It is a huge market but the number of participants is even huger. It's not just about the number of custodians, but also of other market participants - brokers, registrars and so on." As well as ING, which has around $150 billion of the $1 trillion market under custody, and SEB, major international players include Citi, J.P. Morgan, UniCredit and Deutsche Bank.

As well as ING, which has around $150 billion of the $1 trillion market under custody and SEB, major international players include Citi, J.P. Morgan, Unicredit and Deutsche Bank. Together they make up around 80 per cent of the international business. Each has its own area of expertise - ING specialises in servicing European and US custodians, SEB has a hold on the Nordic and Baltic markets, Citi is mostly US brokers, while Deutsche concentrates on its own programme along with domestic clients.

"We started offering custody services in Russia in 2008, just before the Lehman crash - at the moment we are sticking to sub custody in the

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ING

market," says Noren. "You need to build up a considerable compliance organisation to serve the Russian community."

You can find about 700 banks or broker dealers with a custodian licence, but most of them will only do the custody for their own organisation," continues Noren. "When it comes to cross border investment, when foreigners look at Russia, they more or less exclusively look at the international banks, which limits the choice to around 10."

"There is a difference in service levels between domestic and international banks," says one local. "Generally the international banks service other developed markets so they know to provide a service level at that end - they know what to strive for. And if you do provide services in developed markets you are likely to have a bigger IT budget and a central organisation based outside Russia, which is likely to improve service levels. That said, the two or three largest Russian custodian banks have excellent service levels."

Sidorova adds that some of the major Russian banks have made great strides in recent years. "It used to be the case that within a Russian bank no-one spoke English, but that situation has changed. The state owned banks have another advantage of being better capitalised and having better liquidity, also due to a lot of support received during the crisis."

Regulation

There remain issues with the reputation of Russia as a centre for international investment, as well as problems with an infrastructure that is not always compatible with international standards. There's no globally-recognised RTGS system in place, for example, and SWIFT messaging is limited.

"Russia still tends to be less trusted than the majority of major overseas markets," says one international fund manager. "You have to get a grip on how the system works. Even if you are a majority owner or a significant shareholder, if your interests are different to other shareholders you could end up being sued in the Siberian courts and end up having to sell your stake at a low price - there are many stories of this happening in the past. There is also the constant fear of instability."

Noren points to the registrar system, which is due to change in the future, as another potential stumbling block. "There are too many registrars and many of them deal with requests in a different fashion."

The country still has a significant amount of physical documentation, and there have been issues in the past with falsification of those documents.

One of the major debates within the industry is over the power of the regulators. While laws are in place, many believe the regulator has neither the teeth nor the political power to enforce them. The tradition of political patronage that was common during Soviet times has remained as the country became a democracy, leaving some people and companies a bit more 'equal' than others in the eyes of the law.

"There are plans to create a super regulator who will oversee the whole securities market," explains Noren. "When that happens, it should bring in more consistency and level the playing field. It's a very positive step."

"We've been under the impression that a lot of things are going to happen shortly," says Sidorova. "But then the situation suddenly changed. There has been a number of statements from a very high level but they have not been developed. The changes in regulation have been discussed for so long that there is a danger that if there is no progress by autumn, foreign investors will not trust the market any more."

The lack of a CSD is also scaring off international players. At the moment, there are plans for two separate depositaries run by the two main stock exchanges, Micex and RTS. But a proposed merger between the exchanges will, it is hoped, lead to the faster completion of a single CSD. The model the regulators are looking at appears to be similar to that used by CREST, which will allow registrars to remain at the centre of the market. This is not the most popular choice amongst the international community, who are no fans of the registrar system, but influential locals - including the oligarchs - are keen to see the system remain in place.

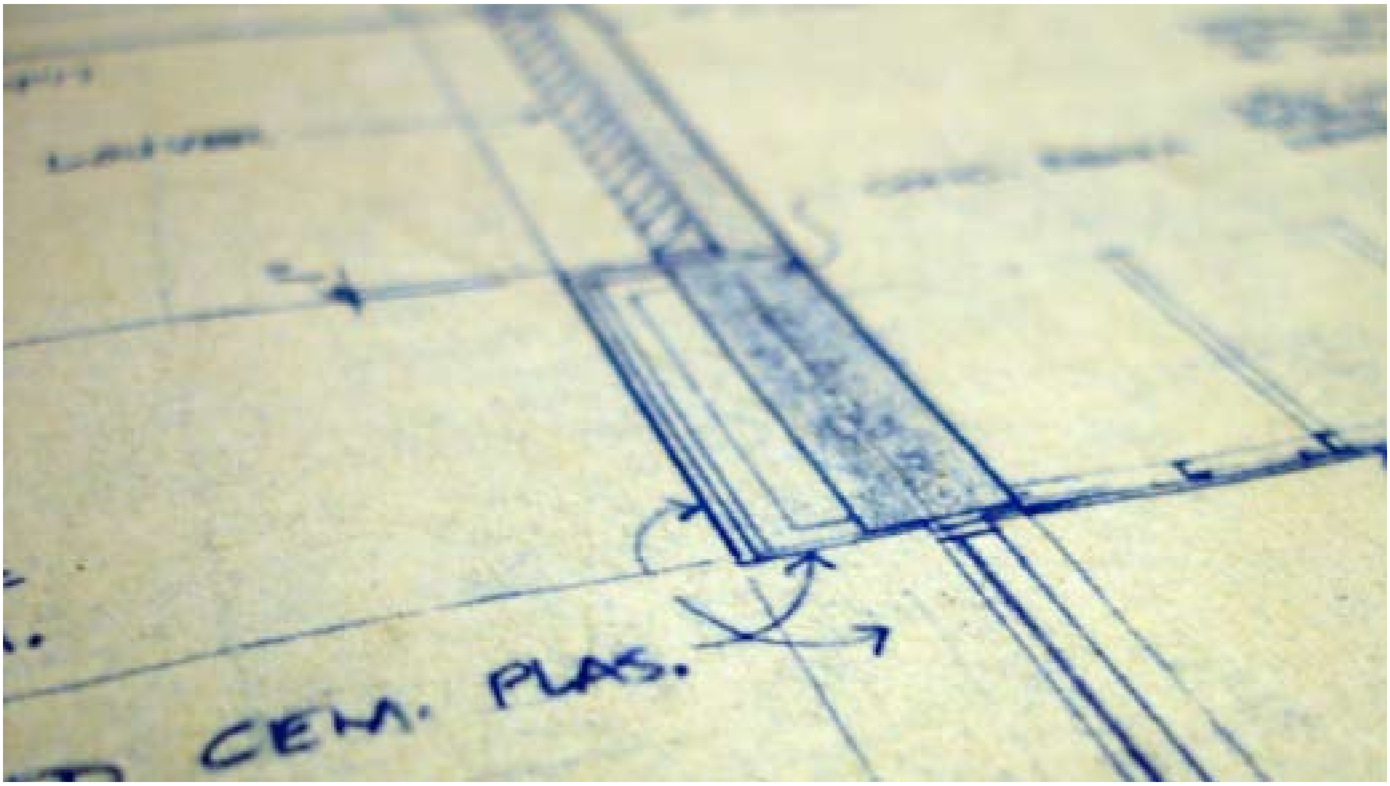
Russia is changing for the better, but progress remains slow. "I gave a speech last year on the creation of an International Finance Centre in Moscow," says Noren. "In it I said that Russia already had an IFC, now it needs to work to make it a good one. The plan is for Moscow to be an IFC by 2020. It could be done quicker, but we're talking Russia here.

"A year ago I would have said I'm pessimistic about whether Russia will meet the 2020 target, but the past few months have been very encouraging with a number of actions to get to the target. There have been a lot of actions on transparency, governance and so on, and there are senior figures within the country who are driving the changes."

Accessibility for foreigners is improving - DvP and RvP in roubles is now allowed in roubles, and that's going to bring in international trade.

"There are three things I would like to see happen that I believe will drive the market forward," says Noren. "First is the merger between RTS and Micex. Then there's the creation of a CSD with the regulation in place to make use of it mandatory. And finally the creation of a super regulator goes ahead and is empowered within the securities markets. If they happen, Moscow will be a powerful IFC by 2020. **AST**

Next issue:
Fund administration in Ireland



Big interview

AST speaks to the CEO of SIX Securities Services about his views on the market and his plans for the business

BEN WILKIE REPORTS

SLT: Firstly, tell us about the history of SIX Securities Services.

Thomas Zeeb: The SIX Group was formed at the beginning of 2008 following the merger of SWX Group, Telekurs and SIS Group.

We are now the infrastructure provider for the entire value chain in Switzerland, from trading through clearing and settlement and the information provision required for high-quality asset servicing. I cover the post trade side of the business, which includes CCP clearing through SIX x-clear, CSD services for the Swiss market as well as cross-border settlement and custody in 65 markets through SIX SIS, and Registrar services through SIX SAG.

SLT: How do you see the market?

Zeeb: We're seeing steady levels of activity in the settlement space. It's nowhere near the volumes seen prior to 2008, but it's stable. Likewise the custody side is stable, but it's not yet at pre-crisis levels. Because of low interest rates, interest income has almost dried up completely, and that means firms - including ourselves - have had to become more efficient organisations.

Custodians are no longer finding their margins attractive once you take out interest revenue, securities lending fees, collateral fees and the like. So now you have to look at how you're running the business, and where operational efficiencies can be realised.

SLT: Does this mean that we are moving back to custody as a fully-priced service?

Zeeb: I can't speak for other custodians but there is certainly a greater awareness that the custody role and the safety of assets is worth paying for. Fixed costs are increasing because of the greater reporting and compliance costs. There's only so much that can be compensated for through greater operational efficiency - there's pressure across the whole industry to accommodate increased client and regulatory demands while keeping prices low. That inevitably will lead some players to reassess their presence in this industry.

Ultimately, the costs of regulatory safety and compliance encapsulated in the value chain do need to be paid for by someone.

At the same time, however, one also needs to be aware that the settlement and safekeeping activities are only a small, and not particularly expensive, part of a value chain which has many intermediaries. We are seeing an increased focus on end-to-end costs, including those charged by asset managers, brokers, cash correspondents and custodian banks.

SLT: Has the profile of your clients changed since the crisis, in terms of the type of firm and their attitudes to risk?

Zeeb: As an infrastructure provider, our clients continue to be banks and broker dealers. I don't think the risk profile of this group has changed, although risk weightings for different types of business have. What has also changed is the awareness of risk by clients and an increased reluctance to enter into activities they don't fully understand.

As a result, we have found that there is a much more rigorous product development process being implemented by many of our clients. More questions are being asked by compliance and legal departments when going into new markets about who takes responsibility along the way. Ultimately, everyone would like to see someone else accept liability at the various steps of the value chain, but this is not necessarily realistic. The result is a closer working relationship with our clients in defining the impact of new products on risk, and on how these risks can be mitigated together in a cooperative environment.

An additional concern of all of us in the value chain, whether client or service provider, is to ensure that regulators understand what the roles, responsibilities, and interactions are between the various intermediaries and infrastructures.

During the Madoff case, for example, liquidators have been looking at who made the decisions and who executed those decisions. Custodians didn't make them, so why should they be in the firing line? But other players in the chain do have to take responsibility for their part of the process - asset managers advising their clients, for example. By the time a custodian receives the instruction to settle, the decision to buy or sell has long since been taken and executed.

This is not about avoiding liability. Our role is fairly circumscribed - it's to execute settlement instructions and look after the assets. But there is a fine line which we walk - we do not provide tax advice, nor do we provide investment advice. By the time we get the instruction, the trade has already been done. We take the responsibility for doing our job properly - protecting assets is our role. There is still a substantial education exercise required.

For those of us in the industry, the roles of the respective players are very clear, and based on this, investors can quite rightly make certain assumptions about asset safety in certain types of securities and jurisdictions. The somewhat disturbing difference now is that liquidators and regulators are looking for someone to pay the bill, and that has the potential to skew the responsibilities quite dramatically. It is important to look at the entire value chain that produces services for investors and it is clear that much more education is required.

The Barings collapse also provided a good example for why firms must not put trading and back office functions in the hands of the same person -separating these functions ensures that there are checks and balances in the process.

It's important to remember that throughout the financial crisis no CSD failed - we all worked together to ensure that there was liquidity in the market. Our processes worked.

SLT: What ambitions does SIX have for the market, both in Europe and globally?

Zeeb: The Swiss financial centre that we represent cannot be isolationist vis-à-vis the rest of Europe. There is so much going on and the landscape is changing so quickly that our model of a decade ago is no longer a viable option. Our plan is to expand beyond the 65 markets that we already work with.

In the first instance, the area highest on our radar is Europe. Various directives and initiatives have been launched by the EU that will affect Switzerland because there is an arrangement between the Swiss and European authorities to incorporate EU law into Swiss law. Beyond that we are very excited about India and the rest of Asia.

Both SIX SIS and Switzerland are strong brands and are a combination of delivering high-quality services in a sophisticated, safe and stable regulatory environment. We can take that and sell it abroad. At the same time, there are markets that have modelled their financial centres around Switzerland and we work with them to see how they can develop further.

> The roles of the respective players are very clear, and based on this, investors can quite rightly make certain assumptions about asset safety in certain types of securities and jurisdictions.

SLT: Are there too many CCPs in the market? Is consolidation inevitable?

Zeeb: There are currently far too many - over 20 in Europe with more announced, which will mean even greater fragmentation. That by definition decreases the potential efficiency, and safety, of a central counterparty.

I don't know the optimal number [of CCPs]. Probably more than one, but less than four per country. The problem is that by increasing the number of CCPs, not only can each CCP net fewer transactions, but clients will be asked to provide additional collateral for default funds to cover potential inter-CCP risk. This fragmentation of collateral itself leads to an inefficient use of scarce resources and will be resisted by clients. As a result, a shake-out will inevitably occur. I believe that we will survive, because of our efficiency, our real-time risk modelling capabilities, and our strong capital base. At the moment it's hard to identify the strategy behind some of the CCPs in the market and how they, and their shareholders, will fare in a more rigorous regulatory environment.

Our view is that a CCP as a bank with a strong capital base and real-time risk management is a sustainable model and will succeed over the more poorly-capitalised CCPs. In addition, there are other key factors that will make a CCP successful. Firstly, the geographical access - can you get at multiple markets through one CCP? Then there's robust real-time risk monitoring. You need capital strength and you need competitive prices.

SLT: What are your views on the implementation of Target 2 Securities?

Zeeb: Target2-Securities has been useful in defining a framework for harmonisation of settlement processes across Europe.
The issue I have with it is the huge investment required across every intermediary in the value chain, for a part of the business which generates neither the largest risks, nor the highest costs. Across the EU, CSDs have generally been quite efficient.

Ideally, as part of the market infrastructure, I would be keener to see a harmonisation of tax rules and/or corporate actions across Europe, as these are the areas where the costs and risks for all of us are substantially higher.

SLT: How do you see the future?

Zeeb: From an infrastructure point of view, I believe that a number of CSDs across Europe will struggle to be competitive in a T2S environment, either because they will be unable to broaden their activities into the investor CSD space, or because their volumes are too low to warrant the substantial fixed costs of maintaining a safe and stable domestic market infrastructure.

Since we have already developed many of these capabilities, I am extremely optimistic that SIX Securities Services will benefit from new opportunities in the changing landscape in Europe. As other market participants assess their options, we will be well-positioned to help them provide services on a white-label basis, or indeed to work in cooperation with other infrastructure providers to expand the range of services provided to end clients. The combination of T2S and regulatory changes over the next few years will herald a fundamental change in how infrastructures and domestic custodians provide services, and I very much look forward to playing a larger role in this environment going forward. **AST**

Thomas Zeeb
CEO
SIX Securities Services

Upcoming industry events

12th Annual Collateral Management

Date: 7-9 September 2011
Location: London
Website: http://www.marcusevans.com

This collateral management event, brings together senior figures from the collateral world in order to address key topics including regulatory reform, automisation, optimisation and how to attain best practice in operational procedures.

Sibos 2011

Date: 19-23 September 2011
Location: Toronto
Website: www.sibos.com

Sibos brings together influential leaders from financial institutions, market infrastructures, multinational corporations and technology partners to do business and shape the future of the financial industry.

The Finadium 2011 Conference

Date: 20 September 2011
Location: New York
Website: www.finadium.com

Themes for this year's conference include ETFs in securities lending, transparency in financing for hedge funds and their investors and the impact of CCPs on collateral management. Lunch is provided and networking is encouraged.

Collateral Management & Securities Financing Asia

Date: 21-22 September 2011
Location: Hong Kong
Website: www.collateralmanagementasia.com

Collateral management & securities financing framework is now a top consideration for Asian financial institutions.

16th European Beneficial Owners' Securities Lending Conference

Date: 26-27 September 2011
Location: London
Website: www.imn.org

For nearly 20 years we have been dedicated to meeting the needs of the European beneficial owner community and are proud to continue assisting beneficial owners in mapping a strategic course to navigate the opportunities and challenges.

5th Annual Collateral Management 2011

Date: 5-6 October 2011
Location: Barcelona
Website: http://finance.flemingeurope.com

The Fleming Group brings you Collateral Management, already in it's fifth year. Collateral managers from major European financial institutions will gather in the beautiful city of Barcelona to discuss latest trends and developments.

28th Annual RMA Conference on Securities Lending

Date: 10-13 October
Location: Naples, FL
Website: www.rmahq.org

RMA's Annual Conference on Securities Lending last year held in Boca Raton, Florida, rebounded from previous years and the effects of the unprecedented financial market events with over 425 SBL professionals from across the industry attended.

Data Explorers Securities Financing Forum

Date: 16 November 2011
Location: Hong Kong
Website: www.dataexplorers.com/hongkong

For nearly 20 years we have been dedicated to meeting the needs of the European beneficial owner community and are proud to continue assisting beneficial owners in mapping a strategic course to navigate the opportunities and challenges.

NeMa Asia 2011

Date: 15-16 November 2011
Location: Singapore
Website: www.informaglobalevents.com

NeMa Asia (Network Management Asia) - the sister event to NeMa, has now become the most important gathering of network managers, sub-custodians and brokers in the industry.

Training and Education

18-19 Aug	**London**	**Repo and Securities Lending** This course will offer a start to finish discussion of the key terms of the Global Master Repurchase Agreement and the Global Master Securities Lending Agreement, as well as the agreements used in the US domestic market. Attendees will be taken through the operative terms of the agreements, events of default, and the termination and close-out provisions.	**Euromoney Training**
22-23 Sep	**London**	**Corporate Actions** This course gives a good detailed understand of International Corporate Actions: what each one is, why it arises, what choices if any for the invstor, and any dangerous or significant accounting points. Examples are taken from around the world with numorous exercises.	**Investment Education PLC**
22 Sep	**London**	**Risks & Controls in Securities Operations** This course provides a good Risk and Controls awareness for operations. It helps the early identification of risks, an application of appropriate and timely controls, and helps reduce the possible escalation of dangerous situations within normal day-to-day activity.	**Investment Education PLC**
13 Oct	**London**	**UCITS Funds** This practical one day course is designed to provide an insight into the area of UCITS, showing how funds may select eligible assets and demonstrate how these instruments may be employed to achieve different investment objectives.	**Eureka Financial**
16-17 Nov	**London**	**Collateral Management** This course looks at Collateral Management in OTC Derivatives in particular as well as Repos and Securities Lending and Borrowing. Risk identification, control, documentation, types of collateral, gross and net exposure and other practical aspects are covered as well as the conceptual framework and practical problems egg the treatment of corporate actions on a borrowed/lent position.	**Investment Education PLC**
23-24 Nov	**Zurich**	**Corporate Actions** This course looks at Collateral Management in OTC Derivatives in particular as well as Repos and Securities Lending and Borrowing. Risk identification, control, documentation, types of collateral, gross and net exposure and other practical aspects are covered as well as the conceptual framework and practical problems egg the treatment of corporate actions on a borrowed/lent position.	**Investment Education PLC**

Industry Appointments

Bruno Prigent, currently deputy head of Societe Generale Securities Services (SGSS), will become head of SGSS as of 30 September 2011.

He will join the Executive Committee of the Private Banking, Global Investment Management and Services division as well as the General Management Committee of Societe Generale Group.

Prigent will report to Jacques Ripoll, head of this division.

He will replace Alain Closier who, after 34 years at Societe Generale Group, including 12 years as a member of the group's General Management Committee, has decided to give a new direction to his career and will leave the group next October.

After four years with an IT services company (SG2), Prigent joined Societe Generale Group in 1984 and spent seven years with the Inspection division. He then held a number of different positions within the securities services business, including head of fund administration, UCITS depository and, from June 2000, was in charge of global securities services for institutional investors. In 2004, he became head of securities services for investors and since 2008 he has been deputy head of Societe Generale Securities Services and a member of SGSS' International Management Committee.

Sven Ebeling is to join UBS as head of asset servicing in Switzerland.

Ebeling, who is currently head of investment servicing at Mercer, will join UBS in October. Prior to joining Mercer, he was at ECOFIN Investment Consulting and has also had roles at J.P. Morgan.

BNY Mellon has appointed **Michael Cole-Fontayn** as its new chairman of Europe, Middle East & Africa (EMEA).

The EMEA region represents 26 per cent of global revenues and employs 10,000 staff across 16 countries.

As chairman of EMEA, Cole-Fontayn will lead the regional management team in executing the company's strategic plans and accelerating growth across this key region. He will retain his existing role and responsibilities as chief executive officer, depositary receipts at BNY Mellon. Cole-Fontayn takes over the role of chairman from Tim Keaney, CEO of BNY Mellon Asset Servicing. Keaney is moving to New York, where he will continue to lead the asset servicing business globally.

Gerald Hassell, president of BNY Mellon, said: "The expansion of our international businesses is key to our company's ongoing success. We continue to see many exciting opportunities in EMEA, and we are well placed to capitalise on the momentum we have gained in the region. We continue to gain market share and benefit from our recent acquisitions of Insight Investment Management in the UK, BHF Asset Servicing in Germany and PNC's Global Investment Servicing business. Michael brings many years of experience and strong international credentials to his new role, and is the ideal candidate to build upon Tim Keaney's many achievements as chairman."

Cole-Fontayn joined BNY Mellon in 1984 and has worked within the Depositary Receipts business since 1992. He ran BNY Mellon's Issuer Services Group in Hong Kong between 1993 and 2000. He is a member of BNY Mellon's Executive Committee and Global Operating Committee.

Credit Suisse has appointed **Carl Bautista**, **Mervyn Chow** and **George Pavey** as co-heads of its Global Markets Solutions Group (GMSG) for Asia Pacific and **Zeth Hung** as vice chairman of the Investment Banking Department and GMSG for Greater China.

The appointments, announced by Vikram Malhotra and Helman Sitohang, co-heads of Credit Suisse's Investment Banking Department for Asia Pacific, strengthen the management of the Bank's capital markets and structured products business in a key growth region, and demonstrate continued investment in covering key clients in China.

Bautista, Chow and Pavey will be responsible for leading the growth of Credit Suisse's equity capital markets, debt capital markets and structured products businesses throughout Asia Pacific. Chow and Pavey will have primary responsibility for Equity and Debt Capital Markets origination and execution, while Bautista will lead Credit Suisse's structured products business, which encompasses structured financing solutions for corporate clients. Chow and Pavey are based in Hong Kong, while Bautista is based in Singapore.

Hung will help lead coverage of key clients in Greater China, delivering Credit Suisse's full range of Investment Banking products and advisory services. He will work closely with Janice Hu, chairman and head of Credit Suisse's Investment Banking Department for China. Mr. Hung will continue to be based in Hong Kong. **AST**

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