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Regulation-driven technology key theme at Sibos

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Technological innovations meeting demands of regulation-driven change, which is impacting business models across the financial industry's supply chain, was the focus of delegates at this year's Swift International Banking Operations Seminar (Sibos) payments and settlement conference.

Legislation such as Dodd-Frank in the US and MIFiD and Emir in Europe are resulting in significant structural changes, particularly in the UK where ring-fencing of banks' retail operations will cause a major upheaval - the combined impacts of new requirements will hit firms with a 25 per cent reduction in their return on equity by some estimates.

Meanwhile, the lobbying capacity of the financial industry is weaker than ever – UBS' $2.3 billion loss on its Delta One desk was still in the headlines as the Sibos conference began on 19 September.

"UBS was just the most unfortunate timing. It is surprising that these things still happen. As a result, I don't think there is as much power within the financial services industry to push back. Politicians have got the bit between their teeth and have put statutes on the books and now you had best comply. That is a big challenge," said Arun Aggarwal, managing director, UK, Ireland and Nordics for Swift.

Technological developments rising up to meet the challenges of compliance are a notable trend this year, he adds, at a time when transparency and reporting requirements are anticipated to create massive data flows for firms. And this when many firms are still using fax machines.

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MaplesFS launches in Delaware

MaplesFS has expanded its fiduciary services division with the launch of Maples Fiduciary Services (Delaware) LLC. The focus of this new office will be to provide independent governance services (directors and member managers) to Delaware based investment funds and asset finance vehicles.

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Deutsche Bank opts for Societe Generale

Societe Generale Securities Services (SGSS) has been appointed by Deutsche Bank AG to act as sub-custodian for its proprietary and client assets in Egypt. The migration of assets to SGSS was successfully completed on 11 September 2011.

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Pegulation-driven technology key theme at Sibos

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"I still liken a large part of the financial industry to a cottage industry. It is high time we industrialised. In a sense, that is what Swift does. We did that for correspondent banking and we are doing it in large parts of the securities and funds industry, such as corporate actions. The amount of manual processing and paper around proxy voting and corporate actions is unacceptable. The industrialisation of financial services is a key theme that we are propagating," Aggarwal said.

Traditionally transaction banking has been Sibos' heartland, he notes, but a wider range of the stakeholder community from the securities and IT sectors is better represented these days, notably, chief information officers (CIO).

"We have never had that much of the CIO community coming here in the past. But there is a need and a demand out there. How do you handle [being inundated with data]? How do you analyse that data? How do you sift it? Some of that links back to regulation," Aggarwal said.

It seems that the financial services industry has moved past denial and to acceptance on the regulatory front, and the remaining questions target the most cost effective and least disruptive manner with which to tackle compliance. Can the problem be outsourced?

"Whether you like [regulatory change] or not, you must comply in the most efficient manner possible, while focusing on core business. It is a win-win-win, be it for the industry participants, vendors or industry bodies this is time for utilities to collaborate and help solve the industries problems," Aggarwal added.

MaplesFS launches in Delaware

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Scott Somerville, CEO, said: "Maples Fiduciary has established itself as a market leader in corporate governance in the Cayman Islands, Dubai, Ireland and Luxembourg. An expansion into Delaware is a natural fit for our investment funds and asset finance clients. Since the credit crisis, we have seen investors and managers asking for similar standards and practices to be implemented on their US domiciled funds. This office gives us the capability to service these vehicles not only from Cayman but also from Delaware, and allows us to deliver a standard of service we do not believe is currently available in the market."

"The ability to provide fiduciary services to Delaware as well as Irish and Cayman based asset finance vehicles places Maples Fiduciary ahead of many of its competitors," Guy Major, global co-head of Maples Fiduciary, added. "This expansion allows the Maples group to demonstrate its commitment to providing a first class, comprehensive service to its asset finance clients." Maples Fiduciary Services (Delaware) LLC will operate from offices in Newark, Delaware.

Deutsche Bank opts for Societe Generale

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The SGSS custody platform in Egypt will provide Deutsche Bank with a range of services centred on custody & settlement. The platform builds on Societe Generale Group's extensive experience in the country, where it has been providing custody services to domestic clients for more than 30 years through its subsidiary NSGB.

This mandate from another international client in Egypt is recognition of SGSS' expertise in the region and reflects its continued commitment to North Africa. SGSS is already a leading sub-custodian to international clients in Morocco.

Vertical integration can coexist with interoperability – SIX x-clear

As European clearers prepare for some 50 per cent of the cash equities market to open up over the next couple of months, interoperability, or the lack thereof, is the hot topic among post-trade services providers.

"Most markets have been and are organised along their domestic infrastructures," says Tomas Kindler, head of clearing relations at Six Securities Services, speaking on the sidelines of the Sibos payments and settlements conference in Toronto.

"What we have seen with MiFID, on the trading layer, was the introduction of competition in the form of MTFs. That is cascading downwards in the value chain and has reached clearing, eventually it will reach the CSD layer potentially with T2S as a catalyst."

Over the next six months, SIX x-clear is set to become interoperable with Chi-X Europe, Turquoise and Nasdaq OMX Nordic when those projects go live, though the latter is yet to be announced.

"It is happening, it is becoming real, the Swiss market and the UK market have migrated to the new interoperability framework," Kindler says. "The vertical versus horizontal is in some ways a dogmatic debate, there are fans of either model, but from an exchange point of view the vertical model has come out as the preferred one."

The point is behaviour, not structures, he says. Six Group in Switzerland is a vertically integrated organisation, but open at every level - the exchange, for example, uses LCH.Clearnet as a second clearing house in addition to SIX x-clear, which in turn uses other settlement agents. The problem, he notes, are some markets that have hung on to the vertically integrated, but closed model – Germany, Spain, Italy, Poland and Greece, for example.

"From a commercial point of view, there is downside potential opening up and maybe not a lot of upside potential depending on how competitive you already are today," Kindler says. There are still some markets in the EU that have successfully resisted being MiFID compliant."

The Spanish stock exchange, as a case in point, keeps clearing and settlement in-house while MTFs have struggled to gain market share, he adds. Compare this to the London Stock Exchange, which just last week lost its top spot for European equity trading to Chi-X Europe.

"It remains to be seen whether MiFID II, Emir and potentially additional regulation will help these [closed] markets open up," he says.

Hub Culture launches Ven Digital Currency

Hub Culture is launching the Ven digital currency, calculated by Thomson Reuters.

"Hub Culture is delighted to announce that Ven will be available on Thomson Reuters data network and desktop terminals globally, which will open new vistas for this currency with institutions across the planet. Live pricing on over half a million institutional desktops globally heralds a key step forward in the evolution of Ven, and the positive impact it can have on the communities it serves." said Stan Stalnaker, founding director of Hub Culture, the social collaboration network driving growth of the Ven economy.

Thomson Reuters Indices will act as the independent calculating agent for Ven, leveraging its strengths in the index creation business, adding further depth and integrity to the digital currency. Ven can be found under the following Reuters Instrument Code: <.VEN>.

Lehman's swaps start to move

Some half a million Lehman swaps have started to get processed using a "central valuation solution".

Legacy Asset Management Company (Lamco), a fully owned subsidiary of Lehman Brothers with the aim of "maximising value over time for the firm's less liquid legacy assets", has migrated its vast complex swaps portfolio onto one core derivatives platform and gone into production.

Immediately after the Lehman collapse three years ago, numerous systems across the firm's derivatives, bank debt, real estate and commodities portfolios meant trades were extremely challenging to unwind. Nine months ago, development began on the necessary central platform that would store Lamco's large legacy portfolio with the capability of organising the data going forward.

"[Lamco] gave us an aggressive timeline, nine months for 500,000 trades because they wanted quicker time to market to maximise the value of their obligations for settlement," said Gordon Chan, director of global marketing at Calypso Technology, the company providing the platform. "With Calypso, they are able to perform valuation on a normalised, consistent basis."

Speaking on the sidelines of the Sibos payments and settlements conference, Chan notes that the platform, Calypso SaaS, is a service hosted environment which allows the firm to outsource the management of applications and infrastructure, as well as support of their technology platform.

XSP deploys

XSP together with its partner Decillion Group has announced that it is deploying intra-day Corporate Actions data directly from the Australian Securities Exchange (ASX).

The Decillion Group, a banking software solutions provider and operator of the largest SWIFT Service Bureau in the Asia Pac region, markets and supports the XSP® v5 solution in a Software as a Service (SaaS) environment for the local Asian and Australian markets. With this interface, the XSP Data Management and Scrubbing module allows clients to rapidly achieve service levels for Corporate Actions announcements from ASX making XSP's mapping expertise available for any business that consumes ASX data.

The XSP v5 platform is XSP's solution developed to automate each step in the processing of global Corporate Actions. A Microsoft Gold Certified Partner, XSP re-engineered its platform using advanced Microsoft technologies. The XSP v5 platform is built around a Service-Oriented Architecture (SOA), utilizing Microsoft .NET components and Windows Communication Foundation (WCF) and Web Services for global enterprise-wide processing. Accredited with the SWIFTReady label, the XSP v5 platform is SWIFT 15022 compliant and combines cutting-edge technology with feature-rich functionality to mitigate operational risks and costs for end-to-end straight-through processing (STP). The new eTRAN®+ widget leverages the XSP GO! framework to provide clients with a customizable user interface to manage Corporate Actions notification and response processing.

John Kehoe, managing director of global sales and account relationship management at XSP, said, "XSP already offers the industry's most comprehensive and robust Corporate Actions data processing platform with connectivity to a global network of vendor feeds, exchanges, depositories, custodians and prime brokers. Now with the ASX ReferencePoint Corporate Actions data mapped directly to the XSP v5 solution, our Asia Pac clients have immediate access to this critical data via the Decillion platform. Additionally, the availability of ASX data on our latest innovative solutions, the XSP GO! Product Suite and eTRAN+ widget, offers yet another convenient way for clients to manage the notifications and response capture process."

"With the integration of ASX ReferencePoint data made available through the XSP solution leveraging Decillion's SaaS offering, financial institutions can streamline Corporate Actions processing whilst mitigating operational risks and maximising STP," said Frank Hoer, Manager of Market Information at ASX. "For Australian fund managers who only have a short window to make elections on events such as RAPIDs (Renounceable Accelerated Pro-rata Issue with Dual-bookbuilds), the power to receive acknowledgements immediately is a significant benefit to all parties involved, such as custodians, hedge fund managers, broker dealers, asset managers, index producers and others."

Thomas Lee, chief executive officer of Decillion Group, commented, "Since partnering with XSP in 2009, demand for their proven XSP v5 platform continues to increase. With the XSP v5 solution live in our SaaS platform supporting clients in Asia Pacific, any financial institution in the region can access this state-of-the-art platform in a Cloud environment and leverage the powerful functionality to help manage this complex operation. We look forward to continue working with XSP and ASX to bring the latest innovations to the financial community."

MegaCor meets the standard

Vermeg has achieved industry accreditation for its corporate actions processing system MegaCor. The accreditation criterion was based on a detailed review of MegaCor's functionality together with Vermeg's customer support, integration and implementation capabilities. Vermeg and MegaCor's performance in the benchmark tests was deemed to be outstanding. The accreditation report due to be published by B.I.S.S. Research shortly, highlighted the growing strength of Vermeg, with confirmed sales across Northern and Eastern Europe and the UK. B.I.S.S. Research was effusive in its praise of Tunis based Vermeg, in successfully applying its business continuity plans during testing times, earlier this year. Further commendations in the report concern the new SaaS capability and Palmyra Vermeg's SOA development framework, which has benefited leading banking institutions, providing bespoke fast development and testing.

Christian Cure, business development director from Vermeg said "We have committed MegaCor to the B.I.S.S. Accreditation process for many years and its continued success in consistently achieving the benchmark tests has confirmed the confidence that our customers have demonstrated, in our ability to produce high quality solutions. We developed MegaCor to be an industry leading corporate actions processing system and to gain this independent confirmation of its status is very gratifying. Each year the criterion continues to be raised and we feel that attaining the accreditation is testimony to the expertise and quality of the team at Vermeg. This year we have expanded our business portfolio and customers now have the option of SaaS, on-premise or bespoke development and with our new consultancy business we can provide additional support. This is an exciting time for Vermeg with many new challenges but we are confident that our recent successes are a solid foundation for what lies ahead."

Gary Wright, CEO of B.I.S.S. Research said "B.I.S.S. Research has been analysing Vermeg for many years and have become very familiar with their business and products. However, this year has seen Vermeg achieve unprecedented success with confirmed sales in many countries. This is well deserved as they have a fantastic suite of modules within Megara, which also gained 'Custody System' and 'Settlement System' Accreditations. Vermeg is a remarkable company with very knowledgeable, dedicated people committed not only to success but more importantly to their customers. We are pleased to congratulate Vermeg on job well done and look forward to following their future development.

HSBC Securities Services implements BI-SAM B-One

HSBC Securities Services (HSS) has successfully implemented its new performance measurement and attribution platform, BI-SAM B-One (B-One), with the first client now live. B-One will be used to provide performance measurement and attribution analysis to HSS clients around the globe, and is the first stage in a series of major developments that will be rolled out over the coming months. These include:

A "true daily" capability that is principally aimed at the fund management sector. This will deliver today's performance results, including attribution, to the client's desktop first thing the following morning. It will also feature a rolling data update facility that will capture the impact of any late transactions or other amendments, so that results are always as up to date and accurate as possible.

A choice of five fixed income attribution methodologies.

Enhancements to our web-enabled client interface, HSBCnet, that will provide a report writer, and extensive ad-hoc inquiry and drill down facilities covering any time period.

A new attribution methodology specifically for alternative funds that will show separate long and short contributions for each asset, featuring the capability to deal with assets that go from long to short or vice versa without distorting the analysis.

Colin Kay, global head of performance measurement says "This is the first of a series of deliverables that will ensure HSS has a cutting edge performance measurement product to meet the increasingly complex requirements of asset owners, managers, and their advisers. The significant investment in this project is a clear signal of HSS's commitment to the custody business in general, and performance measurement in particular."

NBAD implements Megara for custody operations

The National Bank of Abu Dhabi (NBAD) has gone live with Megara - Vermeg's independently industry accredited custody system.

Implementation of Megara was in two phases and started in November 2010; firstly with the local custody operation, followed by international custody. Complete live status was achieved in July 2011. Megara's modular design was instrumental in enabling a risk reduced implementation that spanned many business areas, covering various settlement operations, and including the installation of the MegaCor module, a corporate actions system long recognised in the industry as a leading solution. Other key modules implemented focused on improved client servicing, enhanced client billing and internal and external reporting.

NBAD specified that it was important that Vermeg should provide the best possible technical and functional environment to meet the highest global standards. Local and international clients of NBAD can expect increased service levels through a highly automated operational processing environment. The completion of this project reinforces the strength of NBAD in the region and will enable the bank to become the regional hub for international business for securities processing and custody operations, a primary objective for NBAD.

Boujemaa Khaldi, sales director from Vermeg said "This has been a model project for Megara and underlines the Vermeg culture of understanding and working with our clients to achieve the best possible outcome. NBAD are recognized as the top bank in the region and have been awarded a staggering number of accolades by the industry, so for them to choose Vermeg as their preferred supplier of custody system is a wonderful endorsement. We look forward to a long and mutually rewarding relationship with NBAD and welcome them to the Vermeg family of valued customers"

"The implementation of Megara is viewed as a major milestone in our journey to be the leading regional custody service provider," says Hany Samir, the head of custody and co-head of securities & funds administration at NBAD. "Through availing the best in class integrated solutions that meets the increasing demands of investors investing in the United Arab Emirates Securities markets, Regional and International markets. Being a highly customisable solution with an industry awarded corporate actions module and a state of the art reporting engine, Megara avails high level of flexibility that allows us to excel in meeting the needs of our diversified client base, in a fully automated environment".

"With the on-going developments to expand the geographical reach and increase the depth of NBAD Custody product offering, we are looking forward to further cementing our relationship with Vermeg, through replicating the successful implementation of Megara in other projects," Samir added.

J.P. Morgan expands DCC to Brazil, Russia

J.P. Morgan's Worldwide Securities Services (WSS) has announced plans to expand its Direct Custody and Clearing (DCC) business in Brazil and Russia.

J.P. Morgan already offers DCC in Russia but plans to increase its footprint in the market. As part of this growth, Katerina Sizova has joined as head of the business in Russia, and will be responsible for building product capabilities, executing on the firm's growth strategy and enhancing the client experience. Sizova most recently was global head of operations at the Renaissance Group, where she worked for 13 years.

Separately, J.P. Morgan also announced it has in-sourced its Global Custody business in Brazil, as part of its expansion.

Rowena Romulo, global head of Direct Custody & Clearing for J.P. Morgan's WSS business, said: "The latest expansion is an extension of our previously announced plans to grow DCC in markets where it makes sense for us and our clients. Operating locally gives our clients an integrated solution across a range of markets supported by our leading client service, a unified technology platform and local market expertise."

DTCC XSP global corporate actions alliance

XSP has signed a Certified Software Partner agreement with DTCC Solutions LLC.

The XSP v5 platform is XSP's solution developed to automate each step in the processing of global Corporate Actions. A Microsoft Gold Certified Partner, XSP has re-engineered its platform using advanced Microsoft technologies. The XSP v5 platform is built around a service-oriented architecture (SOA), utilising Microsoft .NET components and Web Services for global enterprise-wide processing. Accredited with the SWIFTReady label, the XSP v5 platform is SWIFT 15022 compliant and combines cutting-edge technology with feature-rich functionality to mitigate operational risks and costs for end-to-end straight-through processing (STP).

The XSP GO! product is one of the latest offerings from XSP designed to provide clients with customisable user interface components for major functions from within the XSP platform. These components can be arranged and customised based on each user's preference to enhance their securities processing experience and help maximise productivity. The XSP GO! mobile app allows clients to view corporate actions notifications and submit elections against those corporate actions for downstream processing.

Brendan Farrell, chief executive officer at XSP, said, "DTCC is focused on delivering comprehensive corporate actions information solutions to meet the ever-changing industry requirements, while XSP is committed to continuously developing innovative offerings to keep ahead of the ever-increasing market and client demands. We share the strong belief that the automation of corporate actions processing will position the industry for radical growth. Our relationship gives global financial institutions access to flexible, proven and state-of-the-art tools to automate their operations and promote greater STP. By combining the XSP v5 platform and XSP GO! Product Suite with DTCC's GCA Validation Service, the industry will benefit from streamlining this complex process while increasing efficiencies and providing risk-controlled performance. We look forward to many more years of working side-by-side with DTCC to deliver cutting-edge solutions to the financial industry."

Dan Thieke, DTCC vice president, Asset Services, said, "DTCC never stops striving to deliver innovative solutions that meet the demands of the financial services community. Processing our highly accurate, corporate actions announcements on securities from more than 200 countries via XSP's platform creates a stronger solution for the industry. We are excited about this relationship with XSP, and we look forward to continuing to provide new corporate actions solutions for the industry in the future."

BNP shortens BDs' time to new markets

BNP Paribas Securities Services has launched a service allowing financial intermediaries to shorten their deployment time to new markets, optimising liquidity and boosting client service.

Delivered through a single point of contact, BNP Paribas' solution enables access to robust settlement, clearing and custody services in more than 100 countries, meaning clients benefit from smoother instruction, reporting and reconciliation processes, and faster on-boarding.

"Our solution removes virtually all of the complexity involved with implementing and managing moves into new markets, thus enabling banks and brokers to react quickly to business opportunities in new territories," added Eric Roussel, head of trade and market services at BNP Paribas Securities Services.

The service also incorporates collateral management which – critically – will improve clients' liquidity and their capital usage. By having a full view of clients' operations, the bank is able to closely evaluate their collateral requirements and recommend – more accurately than ever – the exact amount of collateral required.

BNY Mellon enhances collateral servicing platform

BNY Mellon has enhanced its derivatives collateral servicing platform for institutional clients with new margin management capabilities delivered through a secure web-based portal.

As part of DM Edge - the company's derivatives margin management service - the enhancements provide clients with a fully automated system that facilitates the entire margin call and collateralisation process, improves reporting capabilities and reduces operational risk.

"Given the growth and complexity of the derivatives collateral management process, it is imperative we provide clients with a clear, real-time window into reviewing and approving their collateral agreements, margin calls and settlements. Our new portal, DM Edge Connect, does that and more," said Scott Linden, managing director and product manager for DM Edge at BNY Mellon. "In addition, with our new capabilities, we are well positioned to accommodate the requirements that will emerge in a centrally cleared environment, as well as the changes resulting from global regulatory reforms."

To help introduce these enhancements, BNY Mellon has partnered with Algorithmics, a leading provider of collateral management solutions. BNY Mellon's DM Edge service is part of the company's Derivatives360 suite of services, which comprises a broad array of offerings for issuers and investors around the execution and processing of derivatives. These include trading and execution, collateral management and other middle office outsourcing services, as well as custody, accounting and consolidated reporting. Other middle office services available through Derivatives360 on an outsourced basis include cash collateral reinvestment, OTC trade affirmation and confirmation, independent (third-party) valuation, counterparty and investment manager reconciliation and lifecycle event management.

"Our new margin management capabilities have been well-received by our clients who are increasingly turning to BNY Mellon to handle their derivatives servicing needs," said Patrick Tadie, global business head for Derivatives360. "The range of services we can deliver to investors and issuers highlights the power of harnessing and delivering capabilities from across our entire company."

Phoenix wins fund administration mandate with Chelverton

Phoenix Fund Services has been mandated to provide the ACD, fund accounting and transfer agency services for Chelverton Asset Management's UK OEIC, the Chelverton UK Equity Income Fund.

The Chelverton UK Equity Income Fund seeks to provide investors with a relatively high and growing income from investment in UK small and mid cap equities. Chelverton believes that the key driver of a share price over the long term is the ability of the business to pay a dividend as a tangible measure of the underlying cash flow. To this end Chelverton's investment process is focussed on delivering a relatively high level of income that can grow in real terms over the long term.

The investible universe for the Chelverton UK Equity Income Fund is defined as UK small and mid cap equities with a minimum yield of 50% more than the average for UK small and mid caps on a twelve month view. Chelverton's discipline at the portfolio level is to construct a portfolio with a relatively high initial yield that can grow its income in excess of inflation on an annual basis over the long term and in doing so it will generate excess returns for shareholders.

William van Heesewijk, Chelverton Asset Management, commented:
"Chelverton is delighted to be working with Phoenix's experienced team with its track record of supporting the growth of specialist fund managers. The comprehensive nature of the service provided by Phoenix, offers real value to Chelverton; notably its securities and middle office administration and its high levels of straight through processing delivered through its proprietary software."

John Rice, managing director of Phoenix Fund Services, commented: "Phoenix is very pleased to be working with Chelverton with its increasingly impressive track record for delivering value to its fund investors. We look forward to supporting their continued growth as they become a recognised name in the UK funds management world."

UK to challenge ECB over clearing rules

The HM Treasury has confirmed the UK is set to legally challenge the ECB over its recently published "location policy", which will require a number of financial infrastructure providers, namely central counterparties (CCPs), that clear OTC credit derivatives to do so only in a eurozone country.

A Treasury spokesperson said: "This decision contravenes European law and fundamental single market principles by preventing the clearing of some financial products outside the Euro area. That is why we have begun proceedings against the European Central Bank through the European Court of Justice.

The move comes during a time of increasing competition among exchanges and clearing houses to provide post-trade services in an environment of regulatory change and dwindling revenues.

The Eurosystem Policy Framework published in July this year sets out the following: "The absolute and relative size of an offshore CCP's euro-denominated business provides a useful proxy for the potential implications of this CCP for the euro area. The Eurosystem applies thresholds for application of the location policy to CCPs similar to those for payment systems,

"However, taking into account the specific nature of the CCP business, the threshold of €5 billion applies to offshore CCPs that on average have a daily net credit exposure of more than €5 billion in one of the main eurodenominated product categories." The policy framework notes that the location policy is applied to all CCPs that hold on average more than five per cent of the aggregated daily net credit exposure of all CCPs of the main euro-denominated product categories, chiefly OTC credit derivatives.

The ECB declined to comment.

However, any limit or thresholds contravenes the principles of the single market, said a Treasury Spokesman, as well as undermines the euro's status as a global currency. Additionally, London is one of the world's leading financial centres, home to 40 per cent of global OTC derivatives trading and some of the biggest clearing houses in the world.

LCH.Clearnet, a UK-based global clearing house in the top three for transactions in interest rate swaps, fixed income and repo and futures and options, had no comment. However, the rule would affect a number of CCPs based outside the eurozone area that provide services in a range of different currencies to clients globally.

The ECB location policy also, according to the Treasury, contravenes international efforts to reform derivative markets, where the G20 called for reforms to be implemented in an "internationally consistent and non-discriminatory way, according to the Treasury.

This statement echoes some of the language in an unreleased draft document of the MiFID review circulating in Brussels, as reported by Reuters. The draft includes rules that would prevent member states from blocking access of investment firms and market operators to central counterparty and clearing and settlement systems.

This UK legal challenge will be the first time a member State has taken legal proceedings against the European Central Bank in this way.

"The Government wants to see this resolved swiftly and without involving the courts, but if necessary will not shy away from continuing legal action to make sure there is a level playing field across the EU for British businesses," adds the spokesman.

Latin America

Central and South America have some of the fastest-growing economies in the world, spelling out opportunity for fund administration

ANNA REITMAN REPORTS

The explosive trade relationship between Asia and Latin America is on the radar of most firms and asset servicing providers are expecting the dynamics of the region to work in their favour.

There is a tendency to treat Latin America as a homogenous territory, but this region covers eight countries in North and Central America, 12 countries in South America and, if you include the Caribbean, another 13 sovereign states; two overseas departments and 14 dependent territories tied to the UK, France, Netherlands and US – although these figures are disputed between different sources depending on definitions. The point is, there is great diversity in the size and liquidity of markets across Latin America's part of the Western hemisphere.

While the world focuses on political and financial risks in Europe as well as the disappointing performance of the US, writes Standard Chartered Bank in a recent report, a growth boom story is developing in the Asia-Latin American (Asia-Latam) trade corridor. Latin America has an abundance of raw materials, such as agricultural and mining products, to meet Asia's demand, while emerging Asia is a low-cost producer of manufactured items such as electronics, textiles, and clothing, for which Latin America is a growing market.

"Asia-Latam is one of the world's fastest growing trade corridors, with China-Brazil trade at its core. Growth in the economic and financial linkages between China and Brazil over the past five years has been impressive," writes Standard Chartered.

Furthermore, the region has become a more viable export market for Asia because of greater macroeconomic stability resulting from reserve accumulation, trade/current account surpluses and more prudent fiscal policy.

That does not change the fact, however, that global market turmoil is hitting the region hard. Markus Schomer, managing director and chief economist for Pine Bridge Investments, remarks that seeing Latin America undeperform the rest of the emerging markets by a huge margin "was surprising" in a report just after global markets nose-dived in the summer.

In general, the drop is viewed as a temporary correction and certainly does not seem to make experts on the region think that there will be a slowdown in the tremendous growth of the fund management industry, particularly Brazil's.

"B" is for BRICS

The country most at risk of an overheating economy is still Brazil. Over the past few years, the exchange rate shot up, creating a rush of foreign funds, says Jorge Vrljicak, research director at

Westside Consultants, based in Buenos Aires. Last year, some of that pressure was absorbed by increased productivity and one-off taxes on private capital to discourage funds from coming into the country, yet the risks persist.

Economic cooperation between developed economies and Latin America in general had already been chilling. In 2008, the World Trade Organisation (WTO) Doha Rounds became deadlocked, with only half-hearted attempts at revival from the European Union (EU). This was quickly followed by the Lehman Brothers collapse, which triggered a financial crisis and the “great recession”. Markets are still see-sawing throughout the third quarter of 2011, when most analysts had predicted an economic recovery this year.

The US Federal Reserve’s quantitative easing programmes did not help matters either, says Vrljicak, adding that this has negatively impacted the views that Brazil, and Latin America in general, holds towards the US as an investment destination.

“Brazilians have not responded well to what Guido Mantega, the Finance Minister, calls a ‘currency war’ and while the country had a huge stock of US Treasuries in its foreign reserves, US officials were concerned that Brazil might dump them on the market,” Vrljicak says. At the time of publishing, Mantega was warning against any further quantitative easing measures by the Fed.

Although BRICS nations (Brazil, Russia, India, China and South Africa) are engaging with Washington on economic cooperation with the EU, at the same time the eurozone is still grappling with a seemingly never-ending sovereign debt crisis and the size and scale of any BRICS-led response is in question.

“As a result of these factors, in the past 12 to 18 months, the Europeans have become more absent, the US is not a favoured investment destination, so trade is moving to Asia,” he says. “And now, Brazil is getting into the mode of balanced budgets and refusing US dollars, which tells you something about the business sentiment, the business community is quite protectionist and the leadership has started saying that employment is the top priority.”

Still, the central bank in Brazil has turned a corner in using policy tools to control the situation. In what is being described as a surprise decision, the central bank lowered the overnight rate 50 basis points to 12 per cent at the beginning of September. Meanwhile, inflationary expectations for 2012 are over five per cent and are currently above the 4.5 per cent target.

“The central bank lowered the exchange rate by dropping the interest rate, and it came down a bit but not much. This first step, however, of lowering the interest rate, is a marked fundamental change in the central bank’s way of handling foreign exchange,” Vrljicak notes.

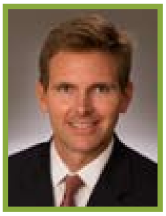
Whether this move continues to have the desired effect remains to be seen, but one thing is for sure, Brazil’s funds industry is evolving rapidly and becoming increasingly savvy and sophisticated.

“Fundamentally, you are going to have locals after that business, what I see is that this is going to be a very competitive arena…but the growth trend will be within the South American region itself,” says Vrljicak.

Asset servicing providers in the region agree. Michael Kalavritinos, managing director at BNY Mellon Asset Servicing, the largest independent fund administrator in Brazil, sees the same trend developing. He is responsible for Latin America and the Caribbean (excluding Brazil onshore).

“We have approximately 400 staff on the ground in Rio de Janeiro and to a lesser extent in Sao Paulo, so we have a longstanding presence and a strong commitment not only to the Latin American market but also to the Brazilian market, which happens to be one of our core strategic global markets,” Kalavritinos says, adding that BNY Mellon continues to invest in not just asset servicing but other product and business lines as well.

The largest and most developed onshore domestic fund market - mutual funds, pension funds, hedge funds - is in Brazil. Though there are no explicitly defined hedge funds in Brazil, a multi-asset fund, or ‘multi-mercado’ in Portuguese, is essentially a similar structure. Mexico, however, is an important retail pension fund market and increasingly retail mutual fund market. And Chile has one of the most progressive pension fund markets since privatisation in 1981, says Kalavritinos.



Latin American banks are increasing their research staff and coverage of sectors and of the region as a whole.

Michael Kalavritinos, managing director BNY Mellon Asset Servicing

“Historically, Brazilians who have invested offshore have looked to the US and Europe, and to some extent Asia,” says Kalavritinos. “But given the macroeconomic and political situation of Latin America, the region is in a much more solid position today than it has been in many years, and we are increasingly seeing interest among Latin investors in the their own turf.”

As an example, he points to initiatives like the stock exchange merger between Chile, Colombia and Peru, Mercados Integrados Latinoamericanos (Mila), which allows trading in the stock of all the listed firms from each individual exchange.

“Latin American banks are increasing their research staff and coverage of sectors and of the region as a whole. Looking at Chile, the country has an advanced and sophisticated retail mutual fund market and there are a number of mutual funds in Chile that are specific to Latin America providing expertise on investment in the region,” Kalavritinos says, adding that this trend will likely grow.

BNY Mellon, however, is not a bank in the region, operating just its asset servicing business for Latin and Caribbean clients which are focused on servicing cross-border assets, such as fund managers, central and commercial banks and pension funds. It has some $160 billion in AUA, of which about a third is from its Brazilian business which is focused on fund administration, fund accounting and other fiduciary services for local investment managers.

In terms of credit risk, apart from international and local regulators overseeing the Brazilian market, Kalavritinos says that BNY Mellon has the proper risk controls and compliance procedures in place to mitigate concerns on creditworthiness.

“The Brazilian fund market is a daily NAV market, it is highly regulated and these are not the usual associations made when thinking about hedge funds or alternative investments,” he says.

The offshore market is the Caribbean domicile, meaning it could be a Luxembourg or Dublin entity and though Brazilian financial institutions and fund managers have offshore holdings to invest outside of Brazil, in many cases the Caribbean offshore market caters to non-Brazilian residents.

In general, investors that are domiciled in Brazil can tap into the market via local funds that in turn invest within certain limits in an offshore vehicle for exposure.

“This is still an emerging trend, not a large trend yet, but as the interest rate goes down in Brazil, I think investors will take a closer look,” says Kalavritinos.

“For the asset servicing provider, it is a positive thing, globally we service over $26 trillion in assets, we offer a network of over 100 sub-custodians which is one of the largest networks,” he says, “I think we are appropriately and positively positioned to service assets that are invested outside of Brazil and in a number of countries and we are optimistic that we will be well positioned as these investors become ready to dip their toes into the market, whether it is in the US, Europe or Asia. We look forward to that increased diversification of assets."

Although funds are growing within Latin America and trade is growing with Asia, in terms of safe-keeping of assets, from a global custody perspective, that is still happening in the US, though BNY Mellon is looking at how additional resources might be used to allow it to become more locally rooted.

"It is important to be close to the market, close to our clients, to be consistently visible and present so that we have the local presence to understand the idiosyncrasies of each of the markets, the evolving regulatory changes and fiscal changes and to be positioned properly so that we are there when the right opportunities arise," says Kalavritinos, adding that the region as a whole is rapidly changing and its needs are becoming more global.

"It is an opportune time to be expanding and not contracting," he adds.

Fund administration boom?

It's the microtrends that are most important and not the macroeconomics, says Alejandro Berney, head of securities and fund services for Latin America at Citi's Global Transaction Services. "It is really the growth of the fund management industry that is driving growth in the fund administration business," he says.

Today, Citi Global Transaction Services offers fund administration in Brazil, Colombia, Mexico Cayman Islands, British Virgin Islands, Bahamas, Bermuda and Panama, to fund managers that specialise in credit, private equity, equity, fixed income, hedge funds and 'multi-mercados'. In Brazil, it is third in market share for independent asset managers not affiliated with larger banks.

Berney notes that the region has a growing middle class which is increasing its savings. Looking at the pension fund industry, for example, shows between 12 and 18 per cent growth.

"That is a lot of new money that needs to get invested, some of it goes to fixed income, but some if it is going into alternatives or funds, people are trying to find uncorrelated asset classes. Asset managers, meanwhile, sell funds to institutional investors like pension funds or high net worth individuals who are trying to diversify portfolios or increase returns." Berney says.

Some 10 years ago, regional asset managers started to become much more sophisticated, using European and American investment strategies which are now boosted by sufficient, growing savings.

"We are seeing our market share grow. In the private equity space, we are at the top in terms of market share, [providing fund administration for] 17 per cent of assets under management. In terms of FIDICs, which is the name for credit receivable funds, we also have a relatively high position in terms of market share. The segments we are looking at most are the private equity, credit receivable and hedge fund spaces because they require higher added value services," he says.

six per cent? So although there are avenues to invest outside of Brazil and these avenues have existed for three years now, we see that investments outside of Brazil are minimal," Berney says.

In the rest of the region, it is still market practice to keep fund administration in-house. However, Citi has started providing services for local exchange traded funds in Colombia and Mexico. Berney sees the same trend which is now booming in Brazil starting in those two countries as well as Chile and to a lesser extent Peru.

Brazil has the highest real interest rates in the world, why invest in Europe at one per cent if someone can get a real, risk-free interest rate of six per cent?

Alejandro Berney, head of securities and fund services, Latin America, Citi Global Transaction Services

Brazil is home to the third largest derivatives exchange in the world and the seventh largest fund industry in the world with some one trillion dollars in assets under management. The size and depth of this market has much to do with the country's regulatory framework which makes it attractive to use mutual fund structures for a wide variety of funds such as private equity and asset backed securities, even trusts – instead of a separately managed account, portfolio managers create a dedicated mutual fund.

"There is a long demand history in Brazil for fund administration because mutual funds are created for a many different reasons. Since the late nineties, it has been common for portfolio managers or asset managers to hire fund administrators, simply for the sheer load of work," he adds. "What we find is that fund administration is growing not because funds are trying to reduce their internal costs but rather because they need to grow very quickly and need assistance both in terms of sheer processing and in terms of intelligence to develop new products."

Yet, only three years ago pension funds were authorised to invest offshore, however, can only do so through a local multi-mercado which allows up to 20 per cent of assets to be invested offshore while a plain vanilla equity fund can invest only 10 per cent offshore. Funds allowing 100 per cent offshore investment are restricted to qualified individuals, which tend to be high net worth individuals who have more than $200,000 in investable assets.

Although Citi does provide fund administration services to clients trying to distribute more in Brazil to capture some of these flows, the opportunity cost of diversifying is very high for a Brazilian, Berney explains.

"Brazil has the highest real interest rates in the world, why invest in Europe at one per cent if someone can get a real, risk-free interest rate of

"Asset managers in [those countries] are really looking at the region, it is a matter of developing the products, going into complexity and needing assistance in terms of know-how and the best way to set up a regional fund – a Chilean manager launching a new fund in Colombia needs to set up a local fund but doesn't want to set up a whole new office in Colombia. They want to start as lean as possible and therefore they outsource the fund administration, the custody and other services as well," Berney says. "It is similar to the Brazil story but a couple of years behind in evolution. We are sure it is going the same way though."

Offshore capacity

Another trend is emerging as the region gears up for additional funds flow. Though the Caribbean is not at this time on the radar screen as a potential competitor for the fund administration business, say major transaction services providers, at the same time, some market participants are seeing an increase of funds flowing from Brazil to the Cayman Islands and other locations.

"We are seeing a lot of flow from Brazil going offshore and are seeing firms building capacity to invest off shore on the Brazilian risk profile," notes Guillaume Weeger, manager and market specialist in the Americas for Calypso, an integrated platform provider. **AST**

Next issue:
The Mexican
custody market


Time Flight Destination
15:10 OTP 8361 BUCHAREST
15:20 WAW 8369 WARSAW
15:30 SVO 0418 MOSCOW
15:35 BUD 5372 BUDAPEST
15:40 PRG 0623 PRAGUE
15:50 KBP 102 KIEV
16:00 SOF 462 SOFIA
16:15 BUD 5372 BUDAPEST
16:30 PRG 0623 PRAGUE
17:15 KBP 102 KIEV
17:20 BTS 0687 BRATISLAVA
17:30 SOF 462 SOFIA
18:10 OTP 8361 BUCHAREST
18:20 WAW 8369 WARSAW
18:30 SVO 0418 MOSCOW
18:35 BUD 5372 BUDAPEST

Riding the rollercoaster

There's a need to apply a real-time focus to existing risk management practices and consider other risks inherent in financial markets operations, writes Dedication Group's Greg Pritchard

EXCLUSIVE

The financial media is currently awash with the news that instead of periods of high volatility constituting exceptional market conditions; high volatility is becoming the new normal. Thus, rather than organisations applying extra attention and oversight to risk management in the short-term due to volatility spikes, we are starting to see a change in the risk management paradigm itself.

During periods of lower volatility participants are able to augment automated market and credit risk systems with manual oversight and exceptions-based investigations. However, unsurprising to any head of trading or desk manager, highly volatile markets mean that the time between checking and resolving risk management exceptions shortens to daily or intra-day intervals, thereby making manual investigations too time intensive.

These manual investigations are at the mercy of specialist resource availability to work through large volumes of data, requiring additional oversight to ensure all checks and balances have been undertaken. Incurring further losses as the time taken to investigate and manage exceptions, increases.

Traditionally spikes in volatility have forced us to:

- closely track market risk; undertaking Value-at-Risk (VAR) and other market-shock calculations to establish the sensitivity of position valuations from price and rate movements
- re-mark trades with counterparties to reduce position exposures
- recalculate capital adequacy to ensure regulatory compliance.

In most organisations, the risk management teams are effectively applying these techniques, and more, to identify sources of risk and to enact strategies to limit exposures and losses. Regardless of volatility levels; these measures are stemming the preventable or expected losses inherent in normal trading activity.

However the combination of higher volatility with fraudulent and unauthorised trading activity, presents almost insurmountable losses as seen in the cases of UBS, Societe Generale, and Barings. In these situations, real-time market risk management was calculated on what was assumed to be the correct position.

In hindsight, utilising market risk calculations on fictitious trades runs the risk of creating a false negative indicator on loss potential. That is, market risk in this instance did not contribute to identifying sources of loss before they occurred. These examples show market and counterparty risk calculations can prove invalid when based on flawed assumptions in the integrity of the underlying trades. The learning from this is market risk can be calculated correctly on a fictitious position as much as it can be correctly calculated on a valid trading position.

In a volatile environment the importance of timely identification and reporting of operational exceptions may mean the difference between business survival and ruin.

Fighting volatility – head on

While exceptional events such as fraudulent and unauthorised trading, may be generating negative sentiment for some institutions at present, these system failures provide a useful reference point for highlighting where risk management needs improvement. The tools, systems and measures used to identify and report on these events are the very structural elements we should be incorporating to responsibly manage risk in trading operations.

In a volatile environment the importance of timely identification and reporting of operational exceptions may mean the difference between business survival and ruin

In raw terms, whatever you're manually analysing after the fact - you should be doing in real-time, consistently and repeatedly as part of normal trading operations and risk management.

To understand what it would take to systematically identify and manage these exposures in real-time; we first look at the steps undertaken during a forensic analysis of trading operations after a significant fraud or unauthorised trading event:

- every trade (in question) is confirmed with each respective counterparty
- cash flows and internal funding is reconciled against deals
- trade modifications post-booking, especially by front office, are scrutinised
- every position feeding into market risk is re-marked
- every trade is verified as actually feeding into the market risk calculation
- trend correlations of P&L, VAR and funding requirements.

There are many, varied investigative paths, but with each of these the core verification steps remain. These include; counterparty confirmation, internal funding or external cash settlement, reconciliation, calculation and reporting of P&L.

In order to bring all risk management functions into real-time modelling across the individual risk classes of market, credit, operational and regulatory risk, teams must:

- baseline the trade flows and official position repositories across the systems' topology within the trading environment – this will provide a model against which gaps and further sources of risk can be analysed
- identify the areas of risk in the trading environment i.e. manual handling touch points, gaps in system functionality relative to trading sophistication, access to systems and controls by users outside of the intended operating model
- establish quantitative measures and normal operating ranges for each of those risk areas
- automate collection of the data to support these measures
- algorithmically verify the source data against pre-defined quantitative levels
- present the information in a manner consistent with the reporting levels and frequency of other risk measures
- prove the measurement and reporting model at high volumes as well as at high volatilities.

To give an example, every OTC deal needs to be independently confirmed with counterparties. The sending or receipt, and acceptance, of the confirmation needs to be tracked and measured centrally with confirmed failures reported through the same reporting mechanisms used for market and credit risk. Where a trade has not been confirmed within pre-defined "normal" timeframes, the risk and desk managers' dashboard should highlight the discrepancy and instigate an investigation.

In addition, trades will either require internal funding from the organisation's central treasury, and/or be cash settled with external counterparties. These cash movements need to be tied back to every single trade in the ledger. Generally speaking fictitious trades don't require funding. Therefore, attention should be drawn to mismatches between expected, benchmark funding levels and actual funding requirements. Positions which aren't actually funded according to their theoretical requirements should be red flags for investigation and followed-up. Often we see organisations manage funding at such an aggregate level; that deal-by-deal funding discrepancies can go unnoticed.

Trading activity should generally show a correlation between the three variables of; P&L, funding and VAR. That is, positions with a high P&L should carry large funding requirements and/or be exhibiting changes to VAR. While combining and calculating correlation between the three variables can highlight trade recording errors, either accidental or fraudulent - many organisations measure these values independently across the finance, treasury and risk functions respectively. Measuring these values in organisational silos misses the opportunity to identify problems that can only be seen in the context of other factors. For example, a significantly large arbitrage position may be generating modest P&L, with limited funding, but have VAR measures not in-line with expectations. Systematically collecting this data, calculating correlations in real-time and comparing against historical trends can allow you to view deviations from expected norms and identify risks with positions or valuations.

What the future holds

To achieve real-time risk management to cope with volatile markets requires organisational vision and co-ordination across the firm. There are numerous barriers to adopting a successful real-time risk management program; however the potential for significant loss remains when accurate and timely information is not readily available.

Some of the barriers faced by organisations include:

- achieving a consistent definition of operational risk metrics
- out of date or inflexible systems inhibiting access to core data in real-time
- not having the expertise to design the required technical and operating topology, and
- lack of political clout to drive solutions spanning divisions and lines of responsibility

By incorporating operational risk factors quantitatively into established risk management processes, and evolving risk management oversight to an automated, consolidated and real-time model; organisations are better able to protect themselves from risk exposures in highly volatile environments. In the end this is what will differentiate the firms that will survive from those that will not. **AST**

Greg Pritchard
Managing director
Dedication Group

Training and Education

13 Oct **London**

UCITS Funds

Eureka Financial

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.

26-27 Oct **London**

The Repo Market

Eureka Financial

The repo market is the lubricant that keeps the financial engine running. It serves as the link between the money and capital markets, and is vital to the well functioning of the financial markets. The turmoil in the market over the past two-years has further enhanced the importance of the repo market.

9-10 Nov **London**

International Securities Settlements & Custodial Services

Eureka Financial

This training program is designed to provide delegates with practical knowledge about the key concepts, systems, processes and procedures in international securities settlement and custodial services as well as operational risks involved. Participants will have a chance to gain skills necessary to facilitate day-to-day transactions and communication processes between all parties involved.

16-17 Nov **London**

Collateral Management

Investment Education PLC

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.

Industry appointments

Societe Generale Securities Services (SGSS) has appointed **Jean-Louis Bernardo** as deputy head of Securities Services and head of business development for SGSS in Russia, where it operates within Societe Generale group's subsidiary, Rosbank, one of the largest privately owned banks in the country. He replaces Mathieu Maurier, who became SGSS' global head of sales and relationship management in January this year.

Based in Moscow, Jean-Louis Bernardo reports locally to Mikhail Bratanov, head of SGSS Russia (Rosbank) and to Philippe Huerre, head of emerging markets for SGSS, in Paris. He will contribute towards developing the offering and growing SGSS' activities in Russia.

SGSS Russia (Rosbank), has had a long-term commitment to Russia, where it is actively involved in the development of the country's financial market infrastructures.

Jean-Louis Bernardo has a Masters in Economics and a Post-Graduate Degree in Banking Finance and International Trade from Bordeaux University. He started his career in 1995 with Citibank Capital Markets in Paris, where he occupied various positions in Operations. In 2000, he joined SGSS' global sales and relationship management team as product manager and then in 2007 became deputy head and head of operations of SGSS Spain. From August 2009, Jean-Louis Bernardo managed the implementation of a complete securities services platform for SGSS in Egypt to cope with the rapid expansion of the securities services activity in that market.

Mrugank Paranjape, managing director, has been appointed head of Direct Securities Services (DSS) for Asia-Pacific where he has overall responsibility for business strategy and growth for the bank's subcustody, clearing, and fund administration business across 14 countries in the region, as well as expanding the Bank's footprint in the onshore fund administration space. Mrugank Paranjape is a veteran banker with over 20 years capital markets experience, including nine years in securities services. Prior to joining Deutsche Bank, he had held senior management roles in international organisations including Prudential ICICI Asset Management India and Citibank.

Credit Suisse has appointed Michael Mollemans Head of AES for Japan. Mollemans will be responsible for building on the market-leading position AES® (Advanced Execution Services) has achieved in Japanese electronic trading, and for extending its reputation for innovating with algorithms, crossing engines and smart order routing.

Based in Tokyo, Mollemans will report functionally to Hani Shalabi, head of AES® for Asia Pacific, and locally to Martin Keeble, head of equities for Japan. He joins Credit Suisse as a Director.

Mollemans was previously head of electronic trading sales at Daiwa Capital Markets in New York. He has previous experience in Japan, having worked in Tokyo for Crédit Lyonnais Securities between 2000 and 2002 before moving to New York.

"Michael's technical skills and experience with US clients investing in Japan will be very complementary to the strong AES team already on the ground in Tokyo," commented Shalabi. "He's ideally positioned to help our clients capitalize on new technology and market structure changes in that fast-evolving market."

Keeble added: "Michael will be a valuable addition to our growing Equities franchise in Tokyo, where Credit Suisse's leadership in electronic trading is a critical part of our value proposition to clients."

State Street has announced the appointment of Douglas Brown in the role of managing director and sales manager on the Securities Finance Americas team. Brown is based in Boston and responsible for all securities finance sales and new business development efforts for the US, Canada and Latin America.

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Brown joins State Street from Credit Suisse, where he was director of Americas sales for the Prime Services division. He will report to Christopher Holzwarth, senior managing director and head of global sales for State Street's Securities Finance business.

"Doug brings a wealth of expertise in agency lending, cash management and prime services-related activities, as well as extensive market contacts and client relationships," said Holzwarth.

Earlier in his career, Brown spent six years at State Street as a senior relationship manager in Securities Finance and three years with Mellon Trust, most recently in a relationship management role.