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Gold enters collateral race

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While global regulations take shape, pushing derivatives onto exchanges and through clearing, clearing services providers are innovating with a more traditional asset – gold.

The yellow metal is one of Six Securities Services' answers to the big collateral management question - how can we do more with what we have and what is already out there?

"We are treating gold as a currency backed by the physical precious metal," explained Thomas Zeeb, CEO of SIX Securities. "It gets treated like any other currency code."

The settlement team significantly reduced time-to-market for the product by treating gold both as a settlement and foreign currency (XAU) - the value of one XAU unit is defined as one troy ounce of gold valued in US dollars.

The DvP service, which brings together payment between banks and the transfer of the underlying gold, is being developed at a time of general pressure in the market on other kinds of securities and the need for increased collateralisation on transactions.

As a result, clients are seeking ways to tap into other asset classes and, in response, Six Securities has successfully piloted with two clients, while the Swiss stock exchange began trading the gold currency on 10 October, attracting interest from dozens of clients, said Zeeb.

"It is an additional asset class that can be mobilised efficiently, what we have done is made it more transparent and ultimately, more liquid, while also taking risk out of the process," he said.

So will there be a copper settlement currency next? Or coffee bean?

Although there is nothing stopping SIX Securities from making that happen, gold has a historic and emotional appeal that gives it unique qualities.

"As a currency, gold is coming into its own. The asset class has always existed but the important thing is that now the market has a low risk, highly efficient way to mobilise it," said Zeeb.

Hot on Six's heels, LCH.Clearnet is set to include gold bullion as collateral by the end of October. The service will be available for members clearing OTC gold bullion and gold contracts on the Hong Kong Mercantile Exchange.

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Group of seven lobby EC over clearing access

Associations representing issuers, investors and brokers and market intermediaries have expressed their concerns over clearing access in a joint letter to Commissioner Michel Barnier from the European Commission.

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RBC Dexia - "business as usual"

Dexia's woes are not impacting joint venture RBC Dexia Investor Services, according to a spokesman at the firm.

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Group of seven lobby EC over clearing access

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The group of seven signatories to the letter, including the European Association of Corporate Treasurers (EACT) and Association for Financial Markets in Europe (AFME), point out that forthcoming EMIR legislation may not take "proper account of the likely concentration of clearing provision".

European trading and clearing infrastructures are changing dramatically over a slew of impending legislations aside from EMIR, such as MiFID II and the capital requirements directive (CRDIV) under Basel III, while market participants are drawing attention to unintended consequences. Chiefly, that choice and efficiency in clearing services in the EU may diminish.

EMIR mandates central clearing for OTC derivatives and over time, says the group, and expects that cleared derivatives will be the dominant model, with no more than a fringe of bilateral trades remaining.

As a result, the group is calling for explicit and detailed open access requirements for clearing of all financial instruments in EMIR and MiFID II.

"Such open access requirements should ensure that a clearing house must accept instruments for clearing regardless of the venue on which they are traded, and that a venue must provide data feeds and other assistance to any clearing house that wants to clear the instrument in question," wrote the group.

The push for ensuring such access comes at a time of consolidations in the trading and clearing landscape in Europe - NYSE Euronext and Deutsche Boerse and BATS and Chi-X Europe mergers are moving forward under regulatory scrutiny and the London Stock Exchange has recently announced talks with LCH.Clearnet for a majority stake in the clearing house.

Other signatories to the letter included the Association of Corporate Treasurers (ACT), European Fund and Asset Management Association (EFAMA), Investment Management Association (IMA), International Swaps and Derivatives Association (ISDA) and the British Bankers' Association (BBA).

RBC Dexia - "business as usual"

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A spokesman for Dexia would not comment on any specific entities, including RBC Dexia.

Belgium's cabinet is meeting to discuss measures, among them, creating a "bad bank" to hold a portfolio of bonds worth about €100 billion ($130 billion), which will receive state guarantees from Belgium and France, according to the Financial Times. There are further rumours that the bank will be fully nationalised.

"The state shareholders have confirmed their will to support Dexia Group, so that it can implement the various measures in an orderly manner and under the best conditions," wrote Dexia in the released statement.

Hundredfold reorganises

Hundredfold Select Funds has finalised the reorganisation of the former Direxion Spectrum Funds as Hundredfold Select Funds.

Hundredfold Advisors, LLC will continue to act as subadviser to the Funds. Advisers Preferred, LLC will act as investment adviser, while Ceros Financial Services, Inc. will act as distributor and Gemini Fund Services, LLC will be the transfer agent. Gemini Fund Services will also provide fund administration and accounting services.

"We're excited about this change for the funds," said Mary Collins, managing member of Hundredfold Advisors. "There are many benefits for the shareholders to be realised."

Hundredfold Advisors, which has served as subadviser of the funds since their inception in 2004, employs a wide range of alternative, technical and defensive investment strategies in the management of the funds. These strategies are integral to the success of the funds and will remain. In addition, Ralph Doudera, portfolio manager of Hundredfold Advisors, will continue as the manager.

Doudera added, "In difficult markets, being active in one's approach to investing allows a greater level of flexibility than traditional buy-and-hold strategies."

4sight enhances collateral management system

4sight Financial Software has added new functionality to its Xpose Collateral Management system. The software is currently used by many of 4sight's clients worldwide and provides a multi-product collateral management system for securities lending, repo, exchange traded and OTC derivatives collateral.

The new features include:

- Additional collateral optimisation and allocation tools
- Global trading and collateral inventory management with a single user-driven view of all global exposures
- Ability to net and margin call exposures by multiple criteria across multiple asset classes
- Optimised, schedule-driven booking of collateral trades in bulk, based on collateral concentration and cost
- Bulk settlement of collateral trades
- Full SSI management, with automated netting and packaging of all stock and cash SWIFT instructions
- Full service CREST, SWIFT, Loanet and DTC engines

"We have enhanced the Xpose collateral management system to meet the surge in demand from our customers for cross product collateral optimisation and control," commented Judith McKelvey, 4sight sales director. "The new features are scheduled to go live at three more client sites and we are also currently working on further enhancements to help customers respond to the evolving regulatory landscape. This includes further collateral optimisation, balance sheet utilisation, CCP margining and regulatory reporting. We are also developing features to manage exposures resulting from FX trading and ETF Creation."

Nasdaq OMX Nordic interoperable in April 2012

Nasdaq OMX Nordic has announced its intention to introduce competitive Central Counterparty (CCP) clearing by end of April 2012. It will become interoperable with EMCF, EuroCCP and SIX x-clear, allowing members of the exchange to choose between multiple clearing houses to clear and settle trades.

NASDAQ OMX Nordic implemented CCP clearing on its markets in Stockholm, Helsinki and Copenhagen two years ago, and was then the first European exchange to announce its intent to introduce a competitive clearing model. Due to regulatory issues related to interoperability between clearing houses, the process was delayed. A solution on interoperability proposed by the involved clearing houses has satisfied the CCP's regulators, allowing NASDAQ OMX Nordic to move forward with its introduction on competitive clearing.

Hans-Ole Jochumsen, president of NASDAQ OMX Nordic said, "NASDAQ OMX early declared our intent to pursue a competitive clearing model, and with a regulatory consensus now in place, we are eager to move forward. We are confident that a competitive CCP model will act to drive liquidity and lower investor costs, thus benefiting our clients and the European capital market as a whole."

CCP clearing on the Nordic markets encompasses large cap companies listed in Stockholm and Copenhagen, and large- and mid cap companies listed in Helsinki. Norwegian shares traded in Stockholm and ETFs listed in Stockholm and Helsinki are also CCP cleared.

Petri Simberg, chairman of the Nordic Securities Association commented: "Our members are positive and committed to the introduction of a competitive and interoperable CCP model in the Nordics. A solution with a truly competitive choice of clearers will increase the attractiveness of the Nordic equities market and result in liquidity and cross netting advantages that will benefit our members."

Nasdaq OMX Nordic is the latest in a series of announcements of European exchanges planning to move to the interoperability model, among them, Turquoise and Chi-X Europe.

Redkite selected by Renaissance Capital in Russia

Redkite Financial Markets has announced that Renaissance Capital has selected and installed Redkite's trade surveillance solution, Redeye, within the firm's global technology upgrade programme.

The system successfully went live in August, six weeks after the global contract was signed.

Justin Amos, CEO, Redkite Financial Markets, said, "Renaissance Capital's selection of Redeye demonstrates our commitment to the Russian markets, a jurisdiction that is currently undergoing significant regulatory change."

Renaissance Capital selected the Redeye hosted solution to monitor, capture, analyse and act on the fast moving activities within its global equities trading operations. The solution, which includes Redkite's market leading insider trading module, will enable the emerging markets investment bank to identify suspicious transactions and activities that are indicative of market abuse or manipulation.

Mark Harris, group head of compliance, Renaissance Group, said, "In light of the increasing market regulation taking place around the world, in particular in Russia, it was crucial that we found a next generation market surveillance solution. Redkite's Redeye solution provides real flexibility thanks to its modular approach to alerts development within Redkite's hosted environment."

Citi extends Eaton Vance mandate

Citi Global Transaction Services has been appointed by Eaton Vance International to provide a complete suite of global custody and trustee services for its Dublin-registered funds.

This new mandate extends Citi's existing relationship with Eaton Vance International for which Citi provides fund administration, accounting, and transfer agency services.

"We are broadening our partnership with Citi and expanding our investment opportunities for our UCITS fund in new markets," said Michael O'Brien, CFA, head of global trading for Eaton Vance. "By leveraging Citi's global custody offerings, we are accessing their proprietary, local sub-custodian network and we are looking forward to securing an integrated custody solution."

BlazePortfolio taps SunGard for STP

SunGard will provide straight-through trade processing for BlazePortfolio via the SunGard Global Network (SGN) for Securities.

The collaboration will allow real-time electronic executions and allocations using BlazePortfolio's Atom Align OMS platform, a multi-custodian, web-based modeling and trade order management solution for investment advisers, wealth management, trusts, broker-dealers and multi-family office clients.

Currently, manual inputs are required by investment advisers, automating this will eliminate the process of phoning, faxing or manually uploading trade files to custodians.

"Connectivity with SGN Securities helps our clients automate their trading process," said BlazePortfolio president Bryson Pouw. "Our clients are continually challenged to maximise efficiency and an end-to-end solution can help them save valuable time."

LIS and Butterfield Fulcrum launch Luxembourg FA services

Butterfield Fulcrum and Luxembourg Investment Solutions (LIS) have signed an agreement to provide a complete suite of management company and fund administration services in Luxembourg.

The offering will help non-European fund initiators launch Luxembourg-domiciled funds with a single point of contact for fund administration and corporate secretarial needs.

"Bringing together the jurisdictional and product expertise of LIS and the industry leading operational infrastructure of Butterfield Fulcrum has allowed us to create a unique and compelling offering encompassing every aspect from design and setup to complete reporting and administration services for managers wishing to establish a European Onshore structure," said Tim Thornton, managing director, global client delivery at Butterfield Fulcrum.

The fund services provider will now offer the setup and administration of the complete range

of fund structures available in Luxembourg from Specialised Investment Funds (SIFs) to UCITS, leveraging the firm's front, middle and back office systems. Through the partnership, fund managers can set up customised regulated fund structures with full coordination between the Luxembourg financial supervisory company, Commission de Surveillance du Secteur Financier (CSSF), legal advisers, tax specialists, custodians and other Luxembourg-based entities.

BNY Mellon extends Eureko mandate

BNY Mellon has announced an extended €38 billion mandate with Eureko, a financial services group registered in the Netherlands, to provide global custody and value added services. In addition to global custody, BNY Mellon will provide fund and investment accounting, fund administration, regulatory reporting, performance measurement, compliance monitoring, transfer agency and cash management solutions.

Leonique van Houwelingen, country executive for the Netherlands and head of Continental Europe, Asset Servicing at BNY Mellon, said: "Eureko is one of our most valued clients in the context of both the Netherlands and the wider European marketplace. We look forward to capitalising on this opportunity to expand the robust and successful relationship we have already forged with them over the past three years."

Eurex Repo signs on Portugal

Eurex Repo has announced its further expansion in Europe with its first Portuguese member, Banco de Investimento Global. The bank has entered its first transactions via the Euro Repo and the GC Pooling markets.

"We welcome Banco de Investimento Global, and we are pleased that this Portuguese bank recognises the advantages of our business model, which comprises anonymous electronic trading, central clearing and efficient collateral management via Clearstream", said Marcel Naas, managing director of Eurex Repo. "The option to gain liquidity in and out of the market in an efficient way is especially important in turbulent market conditions."

Despite a severe austerity budget following Portugal's €78 billion bailout, government officials are warning that any defaults in the eurozone would make the country "vulnerable", according to the Financial Times.

LSE and LCH.Clearnet - "no certainty"

The London Stock Exchange (LSE) and LCH.Clearnet have announced exclusive talks towards a potential merger.

"Work is focused and on-going, with a view to moving towards an agreement, though at this stage there can be no certainty that any transaction will result," the LSE wrote.

LCH.Clearnet confirmed exclusive discussions, but reiterated that "there can be no certainty that the discussions will result in any transaction".

The LSE's majority bid for the clearing house is being closely watched by the market amid a wave of attempted mergers being heavily scrutinised by regulators.

MICEX clearing subsidiary approved by CCP12

The MICEX subsidiary, National Clearing Centre (NCC), has been admitted to the Global Association of Central Counterparties (CCP12).

The decision on NCC's membership in CCP12 was made at a special meeting of members of CCP12 held at the end of last week in Toronto, and affirms that NCC, as a clearing organisation performing functions of a central counterparty (CCP) in the exchange-based FX market of MICEX Group, complies with the Recommendations for Central Counterparties issued by the International Organisation of Security Commissions (IOSCO) and the Committee for Payment and Settlement Systems of the Bank for International Settlements (CPSS).

According to Alexey Khavin, chairman of NCC, the clearer's admission to CCP12 "is evidence of international recognition of the tangible results achieved by MICEX Group in developing the infrastructure of the Russian financial market and ensuring its conformity to global standards. NCC's participation in CCP12, just as its membership in the European Association of Clearing Houses – Central Counterparties (EACH), will enable active popularisation in the Russian financial market of the global expertise in clearing services, risk management, and increasing efficiency of exchange-based trading."

CCP12 was founded in 2001 and combines 29 members representing 35 central counterparties operating in the financial markets of Americas, Europe, Asia, and Africa.

Quintillion releases online NAV sign-off application

Quintillion have launched a web based approval method for their clients' net asset values via their reporting portal. While Quintillion already facilitated publishing of NAV reporting directly to the web portal for client review, the NAV sign-off application now allows a client to approve the per share class values at the click of a button.

The NAV sign-off application has been configured such that it integrates with the Quintillion operations dashboard to notify the Investor Services group once a NAV has been client approved and thereby automatically commencing the Investor Services monthly reporting process.

Joan Kehoe, CEO of Quintillion said that: "This new innovation will remove the need for verbal or e-mail confirmation from the client and will also allow for accurate monitoring of the time required to review a fund's NAV. This advancement, along with ongoing enhancements to our proprietary web portal, are part of Quintillion's goal to deliver a fully automated and transparent solution to our client's needs."

SocGen selects Broadridge

Broadridge has announced it has been selected by Société Générale for a range of technology and outsourcing services for the firm's US broker-dealer.

Société Générale will use Broadridge's institutional securities processing platform and business processing outsource (BPO) solution to support the growth of its US market businesses.

"Using Broadridge's solutions not only enables us to redeploy our internal resources to new strategic growth areas, but we are now better equipped to grow and scale our business at predictable price points," says Mark Kaplan, CEO for Société Générale Corporate & Investment Banking in the Americas.

This partnership will enhance Société Générale's global trading operations by streamlining processes such as trade initiation, confirmation, payments, corporate actions and statements between their domestic and international offices, ensuring that all their regulatory reporting and other back office requirements are met.

AIFMD takes shape for global custodians

Global custodians are weighing in on the Alternative Investment Fund Managers Directive (AIFMD) as the regulation makes its way to the European Commission.

Consultations published by the European Securities Markets Authority (ESMA) highlight concerns of global custodians with regards to the regulator's guidance on assessments of third country custodians, capital requirements, among other issues in the draft proposal.

Under AIFMD, in order for a custodian to be located in a third country, that third country custodian must be "subject to effective prudential regulation, including minimum capital requirements and supervision which have the same effect" as EU law and are effectively enforced.

In response, the Association of Global Custodians (AGC), an informal group of 11 global banking institutions such as BNY Mellon, State Street, among others, made a call for flexibility in implementation of this aspect of ESMA's draft proposal, noting elements of custody law and regulation outside the EU that "invite contract-based methods for achieving principled equivalence".

"ESMA's advice should recognise legal and regulatory regimes as capable of equivalence which allow the parties to agree contractually to legal protections that have the same effect as [European] Union law," wrote AGC.

Additional criteria will call for capital requirements imposed in the third country to be equivalent to those applicable in the EU to a credit institution or an investment firm. AGC notes that most major third country financial centres, like Hong Kong, Singapore and Zurich, are members of the Basel Committee, while jurisdictions such as the British Virgin Islands, Bahamas, Guernsey, Jersey and the Cayman Islands have implemented Basel principles in regulations.

Basel III proposals set a minimum bank capital ratio at seven per cent with staggered stages of compliance until full implementation by the end of 2018.

"It is not known today how many third countries are capable of applying the capital adequacy ratio directive…Accordingly, in view of the evolving and uneven global work on capital requirements, how will the test for equivalence regarding capital be computed?" AGC noted in its consultation response.

ESMA will be delivering its final advice to the European Commission by 16 November.

Compushare partners with Advanced Fund Administration

Compushare and AFA today announced a partnership whereby AFA clients will have access to Compushare, Inc.'s full suite of technology based solutions including Compushare's fully hosted cloud computing platform which allows the Funds to eliminate technology assets and avoid the cost of owning and maintaining a technology infrastructure.

"Compushare will provide our clients with a secure, compliant and efficient technology environment including remote and mobile access which will enable them to concentrate completely on their business rather than their infrastructure," said Peter M.O. Young, AFA president & CEO. "We are excited to be able to offer our clients the Compushare Cloud Computing (C3) solution, which is designed as a totally outsourced cloud based technology platform for the financial services industry."

Whether funds require additional technology expertise in specific areas like security, support, or compliance, or are inclined to outsource all of their information technology (IT) needs, Compushare offers modular technology solutions for Funds of all sizes and mindsets. Servicing over 800 financial clients nationwide, Compushare brings more than 15 years of technology and compliance expertise in order to provide technology solutions in the areas of critical systems hosting and management, network security management, compliance management and application hosting and management. Compushare provides enterprise class solutions at a fraction of what it would cost for the Funds to provide themselves.

"We are very excited to be in partnership with AFA and able to provide their clients with compliant and efficient technology management including our cloud based solutions. We believe that in the current economic and growing regulatory environment, it is critical that funds be positioned to focus on their business without having to worry about investing in and maintaining technology assets and Compushare makes that possible," said Romir Bosu, Compushare's chief executive officer.

BNY Mellon to clear in Netherlands

BNY Mellon has announced that it will now provide custody and settlement services direct in the Netherlands.

The company has established a direct contractual arrangement with Euroclear Netherlands, enabling its broker-dealer services clients more timely access to the Dutch market, through maximising pre-matching and turnaround capabilities. Clients in this market will have the ability to use a later deadline for security instructions and will benefit from quicker updates for transaction reporting.

Commenting on the development, Drew Demko, global head of sales and business manager for Europe, Middle East and Africa (EMEA) BNY Mellon Broker-Dealer Services says, "This is an important step for clients wishing to access the Dutch market and ties in with BNY Mellon's strategic focus in moving closer to market for our global clearing product."

Mexican trends

Santander's vice president of securities and clearing talks to AST about the custody market in Mexico and what he sees coming down the pipeline

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Santander has been in Mexico's custody business for over 15 years and David Flores, vice president of securities and clearing at Santander (Mexico), estimates some 14 per cent market share with around $94 billion assets under custody as of August 2011.

AST: What are the most significant macroeconomic factors impacting custodians in Mexico?

David Flores: As in other markets the most macroeconomic factors as aggregated indicators: such as GDP, unemployment rates and prices index may impact flows.

The Mexican market is comparatively stable and advanced and the infrastructure is familiar to investors used to doing business in major markets. It makes Mexico the entry point into Latin America for foreign investors wanting to gain exposure to Latin America. However, Mexico would stand second to Brazil within the Latin American space.

Market capitalisation of the Brazilian market is approximately US$1,500 billion, while Mexico's is around US$400 million. Additionally, the correlation of the Mexican economy to the US is significantly higher than Brazil's.

Mexico's economic fortunes are closely tied with that of the US. Periods of economic growth for the US economy are almost certainly indicators for economic growth in Mexico as well. Conversely, recessions and economic downturns in the US are also likely to have adverse effects for the Mexican economy.

AST: What are some of the microtrends in the region affecting custodians?

Flores: We are seeing more inflows into the region, particularly from markets with a small exposure to Latin America securities, such as Europe. Brazil, where the government and public listed companies require massive funds to finance heavy investment in infrastructure, represents a large proportion of those inflows.

Investors accessing the region are made of different shapes, such as private equity firms, sovereign wealth funds, high frequency traders (HFT), wealth managers and even individuals seeking opportunities here. For instance in Brazil, we see new booming demands for structured funds such as FIP (for private equity purposes) and FIDC (trade receivable funds) which require a more sophisticated reporting.

In addition, we are going to see more cross border investment within the region. The launch of MILA project brings a unique platform for Chilean, Peruvian and Colombian investors to invest within those countries. However we believe this is only the first step towards a possible integration process of the three markets.

AST: How does Santander differentiate among other custodians?

Flores: We believe that our main competitive advantages are the level of service that we provide regardless the size of the client and responsiveness, customer services, relationship management, liquidity and cash management, on-line and real time links with the market (SPEI and Indeval) and our in-house IT platform.

AST: How do you see the next year unfolding? What are some of the risks going forward? What are some of the opportunities?

Flores: The custodians' ability to maintain growth and profitability in Mexico must be based on the range of services offered which can be expected to follow the requirements of clients. So the key challenges will be to develop a variety of new, specialised and value added services provided to a specific customer segment.

Mexico will not be the exception, the different providers in the custody industry will be impacted in different ways. Because of keen competition that has resulted in progressively lower price levels, custodians of all types are faced with the challenge of revenue compression concurrent with a need to invest. This is the scenario which seems to be the risk going forward and likely to lead to further consolidation in the industry.

In Mexico, custodian banks must continuously adapt their technology because market practice, industry standards, legal requirements, fiscal processes and infrastructures' procedures and technology are changing. Once the technology investment has been made for a capability, processing additional volumes usually adds limited marginal costs. High fixed costs mean that custodian banks require economies of scale to be profitable.

One means of gaining market share is by price competition with other custodians, which over time results in lower fees throughout the market as existing customers also benefit from the lower price levels when service contracts are renegotiated. As profit margins narrow, there is an increasing need to further invest in technology and automate more processes in order to remain profitable.

One of the strategies that some Mexican custody providers could adopt to remain viable and competitive, depending on the nature of their customer base will be using their strong franchise among domestic institutional investors that tend to have most of their investments in the home market, because these clients also have outflow investments to other markets.

Competition and consolidation has caused this segment of providers to capture new revenues via increasingly complex back-office outsourcing solutions for institutional investors, the most extensive of which involves the takeover of entire operations departments, including the personnel and technology and the capabilities to provide yield enhancing services to their investor client base, such as securities lending and tri-party repo services. AST

David Flores Vega
Vice president of securities and clearing
Santander

Mexico

Mexico's economy is staying afloat amid falling markets, while the country's investment community is waking up to the need for professional custody services

ANNA REITMAN REPORTS

The IMF describes Mexico's fiscal position as solid. Fiscal credibility, underpinned by prudent management and a strong framework, permitted a countercyclical response during the financial crisis.

"The envisaged fiscal consolidation during 2010 to 2012 will return the structural fiscal stance to pre-crisis levels. Mexico is expected to return to the budget balance specified under the fiscal rule in 2012 and maintain it thereafter, ensuring a stable public debt path," writes the IMF in a recent report.

It is one of the reasons that PIMCO founder, managing director and co-CIO, Bill Gross, points to the country as a desirable investment destination which, along with Canada, Brazil and Australia, he says has a "cleaner dirty shirt" compared to the US, Europe and Asia.

Still, the region faces significant long-term challenges that are not easily appreciated in a standard medium-term analysis, notes the IMF. The combination of age-related spending pressures and declining oil revenues implies that sustaining prudent levels of public debt would require a large (non-oil) revenue mobilisation effort and an expenditure reform strategy, while corrective measures may have long implementation lags.

The projected real GDP growth (accounting for inflation) for 2012 is 4.1 per cent and is expected to ease to 3.3 per cent between 2013 and 2015.

The slowdown is in part because the US accounts for some 70 per cent of Mexico's exports. This means the country's economy is particularly exposed to a material deterioration in US demand given the sluggish contribution from domestic growth, says Standard Chartered in a recent report.

"Mexico is not only vulnerable to US-centric shocks, but the knock-on effects from declining oil prices result in a 'double whammy' given that Mexico is an oil exporter," says Standard Chartered, adding that the Mexican peso is, at its core, a US and global growth play.

Gloria Roa, head of custody services at BBVA Bancomer has a different angle.

"Our currency, the Mexican peso, is one of the

thirteen most traded currencies in the world. It is traded 24 hours a day, which gives it great liquidity," she says.

BBVA research shows that inflation is at a comfortable level with any rallies over four per cent highly unlikely, while Mexico's exposure to the sovereign debt crisis in the eurozone is limited because of a low trade relation with the region.

So, although there are risks looking into the future, the immediate macroeconomic woes rattling markets are somewhat tempered.

BBVA Bancomer is one of four major players in the custody business in Mexico, along with Santander, Banamex (owned by Citi) and HSBC, providing services for financial institutions, pension funds and foreign banks that have customers holding Mexican assets like government entities, insurance companies, private corporations and trusts.

Though Mexico is not immune to global market turmoil, Roa has observed an increasing demand for professional custody services in the country.

"Companies perceive an increasing need to demand professional asset custody services, especially the treasuries of corporations, but we have also observed mutual funds starting to take advantage of having a professional custodian. As I say to my customers, we are your eyes and ears in the Mexican market, so you will always be informed," she says.

Customers, she adds, are more sophisticated each day as well as cautious about taking unnecessary risks. In response, BBVA Bancomer provides transparency, real-time information and straight-through-processing (STP), which reduces the need for manual transmission.

Along with asset custody and safekeeping, cash management and other security services solutions, BBVA Bancomer is an ADR issuer.

"There are two ways of seeing the custody business - some consider it as part of the service for a broker house or as part of broker activity, but at BBVA and in other banks, we conceive custody as a business itself, while complying with "Chinese wall" practices", she says.

The biggest risk going forward, Roa says, is keeping up to date on technological developments in order to provide real-time data and response that clients demand for customised reporting, often related to regulation compliance. At the same time, the pressure is on to keep commissions low in a fiercely competitive market. That has not stopped the bank from moving forward with expansion plans, taking advantage of the BBVA Group's presence in other countries to attract clients seeking a custody services provider with a local presence in Mexico.

"Since September 2008, the financial environment has been very challenging for custodians and many things have changed, at BBVA Bancomer the customer's assets are in Mexico with a Mexican custodian. Here it is a straight line so you know where your assets are kept without the intervention of third parties," she adds. "The confidence and simplicity in providing our custody services has enabled us to obtain a leading position in the market."

Think global, act local

Most asset servicing providers in the Latin American space note that investment activity and fund development is most pronounced within and between the region itself.

Mexico is no different, which is why an innovative product, referred to as a "reverse ADR" allows for any Mexican investor to access international securities through local infrastructures.

For the past decade, Deutsche Bank has been active in building the Mercado Global, the international market segment of the national exchange, Bolsa Mexicana de Valores (BMV) and, since starting to list these reverse ADRs, offers 653 international securities, of which 325 are in equities, 320 are ETFs as well as a few bonds (public information from Bolsa Mexicana de Valores), says Dirk Reinicke, regional head for Latin American Direct Securities Services and global head of transferable custody receipts for Deutsche Bank.

In providing access to the international market place for the Mexican investor, Deutsche Bank works with the entire local market infrastructure supply chain – custodians, brokers, the exchange itself and regulators. The firm is currently evaluating expansion of both transaction banking in the country as well as widening its product range.

"Mexican investors can now go to their local broker and through the local exchange to access the securities world, be it US, European, whether an ETF or a share. The Mexican investor can negotiate foreign shares, in pesos, at the local exchange," Reinicke says. "Today the international market segment accounts for between 25 and 30 per cent of the daily trading volume of the entire exchange.

Though the assets are unique and require a high level of expertise to service, the idea is not unique to Mexico as Deutsche Bank has launched products in Argentina and, more recently, in Brazil, Chile and Colombia, though Mexico is clearly the front runner for uptake and growth at this point.

Deutsche Bank has been looking to create and develop these international market segments where the entire value chain remains in the local exchange, the local CSD, with local participants, and the local broker dealers.

"We see the trust and securities business growing in Mexico, have established risk controls and are being very selective going forward but at the same time seek to expand in the Latin American countries where Deutsche Bank has a presence," Reinicke adds. **AST**

The biggest risk going forward, Roa says, is keeping up to date on technological developments in order to provide real-time data and response that clients demand for customised reporting, often related to regulation compliance. At the same time, the pressure is on to keep commissions low in a fiercely competitive market.

Training and Education

Open Courses	**London New York Singapore Sydney**	**Hedge Funds: A Credit Perspective** A two-day intensive workshop offering an in depth structured approach to the analysis of hedge funds and alternative investment strategies. The workshop takes a credit focus for bankers and analysts but is also appropriate for a wider audience who need to understand the key risk issues of the hedge fund industry.	**Fitch Training**
Open Courses	**Frankfurt Hong Kong London New York**	**Basel II & III: Bank Capital Adequacy** A two day case study based workshop for financial market professionals, focusing on the capital raising, funding, investment and risk management needs of banks in the context of changing markets, Basel III and other regulations.	**Fitch Training**
10 Oct 23 Nov 14 Dec	**Luxembourg Zurich London**	**Corporate Actions** This course provides a good understanding of Corporate Actions from an international view in a very enjoyable and interesting fashion: - what are Corporate Actions ? - why do they happen ? - what are the alternative choices for clients - if any ? - where can we lose money ? - what is the effect on our clients' valuations and how should they be treated ?	**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**
27 Oct	**New York**	**Advanced Corporate Actions** Details of this event are in preparation by Financial Markets World	**Financial Markets World**
8-9 Nov	**Switzerland**	**Global Custody** The Global Custody course is aimed at developing both a broad and in-depth knowledge of the key aspects of Global Custody and is equally relevant to the buy-side and sell-side of the business.	**ICMA**
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, eg, the treatment of corporate actions on a borrowed/lent position.	**Investment Education PLC**
7 Dec	**New York**	**Intermediate Options: Beyond the Basics** Options offer many interesting opportunities for trading views on the direction and volatility of prices. But tracking and controlling the risk of options positions in fast-moving markets can be difficult, and the models that we use to measure option risks are not always well understood by market participants.	**Financial Markets World**

Industry appointments

HSBC Securities Services (HSS) has appointed **Aaron Ng** as senior product manager for transfer agency heading up the product function for Asia and **Nick Wheeler** as product manager responsible for EMEA and the Americas.

Ng and Wheeler will be responsible for identifying market and product opportunities, as well as helping to develop and refine the market and product strategy for their respective regions.

Ng joins HSS from National Australia Bank in Hong Kong. Previously he worked at ING and started his career in Bank of Bermuda in Hong Kong. Ng has over 10 years of experience in the Asia Pacific Fund Services market and will report to Gina Slotosch, head of global product management, transfer agency services and will be based in Hong Kong.

Wheeler joins HSS from the Citi Fund Services EMEA transfer agency product team and has over eight years of experience in the transfer agency industry. He worked for Citi in Dublin, Luxembourg and most recently London. Wheeler will also report to Slotosch and will be based in London.

WTP Advisors has announced that **Ilicia Silverman** has joined its Capital Markets practice to head business development efforts. Silverman was most recently a vice president at Credit Suisse where she served as a senior member of the prime consulting team within prime services, providing best practice consulting, assisting start-ups, spinouts and existing clients to build out all aspects of their operational infrastructure.

"There is a growing need for business experts who can manage the operations side of investment funds. By providing back and middle office infrastructure, WTP Capital Markets lets hedge fund managers focus on trading," said Sala.

Mercer has announced that **Sue Crosby** has joined the firm's Investment Consulting business as partner based in New York. In this role, Crosby will focus on growing Mercer's Implemented Consulting business and will support the firm's growing Endowment and Foundation Consulting practice.

Prior to joining Mercer, Crosby initiated the Endowment & Foundation Relationship management effort at Merrill Lynch. Most recently she led business development for Perella Weinberg, an investment outsourcing provider.

As part of its business growth in this area, Mercer recently acquired Hammond Associates in St Louis and Evaluation Associates of Norwalk, Connecticut.

RBC Dexia Investor Services has announced the appointment of **Cormac Sheedy** as senior executive officer for Middle East and Africa based in Dubai.

"On-the-ground presence in Dubai is crucial for providing locally-based clients with a full suite of custody, administration and value-added services. Cormac's experience on the buyside gives him extensive insight into what asset managers need in order to operate effectively, and we look forward to having him on board," said Simon Shapland, managing director of UK, Ireland and Middle East at RBC Dexia, to whom Sheedy will report.

SEB Bank has announced that **Gatis Simsons** will be taking over as head of custody services in Latvia. Simsons makes the move from Swedbank Latvia and has experience in payments, custody and correspondent banking services.

The announcement comes as SEB's former custody head for the region, Andis Artmanis, leaves after 17 years with SEB.

NorthPoint, the prime services business of ConvergEx, has launched a new division dedicated to the formation, performance and management of alternative mutual funds. The new Alternative Mutual Fund Services division will work with traditional mutual funds and hedge funds that are interested in launching alternative mutual funds. The offering will combine ConvergEx's investment technologies and investment services to enable customers to raise assets, optimize performance and manage funds in compliance with 1940 act regulations.

Jay Jacobs has been hired to lead this new division. An industry veteran with almost 30 years of experience, Jacobs was most recently a partner at Merlin Securities.

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HSBC Securities Services (HSS) has appointed **Dan Massey** as head of Client Management Group, Asia Pacific.

Based in Hong Kong, he will be responsible for all client management and business development activity for HSS across the Asia Pacific region.

Mike Martin, global head of the client management group at HSS said, "[Dan's] knowledge of the Asia Pacific region and securities industry experience positions him well to lead the Client Management Group in the region."

Massey has an extensive securities services background and most recently held the role of global head of business development and regional head of Southeast Asia for HSBC's sub-custody and clearing business. He has 23 years' experience in the financial services industry. **AST**