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ASEAN investment bank launches Islamic securities services

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CIMB has announced the launch of its Islamic securities services at the IFN 2011 Investors and Issuers Asia Forum, which ran from 17 to 19 October in Kuala Lumpur.

CIMB's Islamic securities services leverages on the expertise of its four business units comprising Trustee Services and Products, Custody, Corporate Agency, and Fund Accounting. With the launch, the group is reinforcing its position as a fully-integrated service provider that offers shariah-compliant securities services on a single platform to institutions and individuals, both domestic and abroad.

In a statement released by the investment bank, Badlisyah Abdul Ghani, executive director and CEO, CIMB Islamic said that in view of the burgeoning increase in global Islamic assets, there is an urgent need for the establishment of an integrated Islamic securities services platform.

"Research has revealed that overall Islamic asset management industry has grown at an astronomical rate... The recent shift from traditional investments [such as equities and real estate funds] to investments in new alternative asset classes [such as Shariah-compliant exchange traded funds (ETFs) and hedge funds] further evidences critical untapped opportunities for local and international service providers," explained Badlisyah.

Back in March, HSBC Securities Services launched Shariah-compliant securities services such as fund accounting and administration, global custody, transfer agency, banking and treasury services in 17 markets across the Middle East, Asia-Pacific, Europe and the Americas. The offering was made in conjunction with HSBC Amanah, the bank's global Islamic financial services division.

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J.P. Morgan Worldwide Securities Services (WSS) has announced it has been appointed to provide global custody services to the Royal County of Berkshire pension fund.

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Bottom line:

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Algorithmics signs Nordea for Solvency II

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This newly launched edition is designed to provide Nordea Life and Pensions, which has operations in the Nordics, the Baltic countries, Poland, Luxembourg and the Isle of Man, with a complete end-to-end solution, calculations and robust environment from which to undertake its Solvency II project.

Dr Andrew Aziz, executive vice president of Buy-Side Risk Solutions at Algorithmics, says,"Based on feedback from our clients we decided to broaden our existing proven Solvency II solution to include the full range of approaches... from internal models to standard formula...We look forward to working with Nordea Life and Pensions, initially on their Standard Formula approach, and then as they move to an internal model approach for Solvency II compliance."

J.P. Morgan gets UK pension fund mandate

Continued from page 1

The Royal Borough of Windsor and Maidenhead appointed J.P. Morgan to provide custody, accounting, performance measurement, private equity and fund order routing settlement services for the fund.

Nick Greenwood, pension fund manager, said: "The Royal Borough appointed J.P. Morgan based on the high level of service offered and their strong global position."

Northern Trust enhances TA access

Northern Trust has extended online access to investor information for transfer agency clients to nominees and third party fund distributors across Europe. This latest enhancement will allow nominees and distributors to check transactions and valuations online enabling them to perform reconciliations easily and frequently.

"Previously, nominees and third party distributors had to request specific information which would then be sent through manually," said Karen Hamilton, head of product development for fund administration at Northern Trust. "Northern Trust has automated the process and enabled direct access to fund account information, so that nominees and platforms can view the data they need at any time."

The enhancement offers nominees and third party distributors a single sign-on to Northern Trust's multi-faceted web portal, Passport(R), enabling them to view all accounts and investor information across multiple management companies for which Northern Trust provides fund administration services.

"Nominees and third party distributors are handling a large volume of transactions at any time," said Hamilton. "By extending access to our fund clients' online data, Northern Trust enables nominees and third party distributors to better support their day-to-day processing and the underlying investors that they service," she added.

Trian makes State Street action plan public

A large shareholder of State Street has made proposals made to the custodian earlier this year public in a bid to increase shareholder value.

Trian Fund Management, which owns some 3.3 per cent of State Street's outstanding shares, claims that it had been communicating privately with the custodian's management for over a year and provided its action plan to management in June this year, to which there has been no commitment to the actions that Trian views as necessary to enhance long-term shareholder value.

"Trian believes State Street is an exceptional franchise. The platform that has been assembled over many years has leadership positions in attractive sectors and geographies. Despite these leadership positions, Trian believes State Street's shareholders have lost money subsidising growth in revenue, compensation and assets at the expense of profitability, return on invested capital and total shareholder returns," wrote the fund manager, noting that State Street has delivered negative shareholder returns during each of the most recent 10, five, four, three, two and one year periods.

In response, State Street issued a statement affirming that members of its senior management met with representatives of Trian on a number of occasions and have engaged in constructive discussions.

"Despite the challenging operating environment over the past several years, our business has remained resilient. State Street has continued our track record of profitable growth and has maintained the strongest capital position among our closest peers. With the approval of the Federal Reserve and within the context of growing our business, we intend to continue to return capital to our shareholders," State Street wrote.

Cerberus appoints J.P. Morgan as administrator

J.P. Morgan Worldwide Securities Services has been appointed by Cerberus Capital Management, L.P., one of the world's leading private investment firms, to provide fund administration and related securities services for its investment funds with aggregate assets of over $23 billion. The J.P. Morgan platform will be supplemented by certain back-office personnel of Cerberus who will become employees of J.P. Morgan.

"The transition of the services to a world class third-party administrator provides our firm strong infrastructure support and the independence preferred by our investors," said Jeffrey Lomasky, senior managing director and chief financial officer of Cerberus. "We are confident that J.P. Morgan has the capabilities to provide our firm and our investors with the independent, third-party administrative systems, infrastructure and support that are required in today's investment management environment."

"We are excited about establishing this relationship with an industry leader such as Cerberus," said Robert Caporale, head of new business development, Americas, J.P. Morgan Worldwide Securities Services. "We have made significant investments in our broad capabilities for servicing all aspects of alternative investments, including middle office and fund administration. With over $410 billion in alternative assets under administration, we have expertise in servicing open- and closed-ended hedge funds and private equity funds."

KBC agrees sale of Belgian insurance arm

KBC has announced an agreement with JC Flowers & Co for the sales of its subsidiary, Fidea, for €243.6 million.

With this transaction, Fidea will become part of an international well-established private equity group specialising in the financial services sector.

KBC will continue to provide banking and insurance services under the KBC brand name in Flanders and Brussels through its remaining network.

The group is making this move to free up capital by reducing risk-weighted assets - the net positive effect on the financial services group's tier one ratio is expected to be some 0.1 per cent.

The deal is expected to close in the first quarter 2012 and follows an announcement of the sale of KBC's private banking arm to Precision Capital, representing Qatari interests.

Clearstream and Luxembourg's central bank launch LuxCSD

Clearstream has announced that its joint venture, LuxCSD, with Luxembourg's central bank is fully operational and will serve as the access point to TARGET2-Securities (T2S).

LuxCSD provides the Luxembourg financial community with central bank money settlement prices as well as issuance and custody services for a wide range of securities, including investment funds.

Patrick Georg, general manager of LuxCSD, says, "After several years of intense work with and for the Luxembourg market, we have now reached a major milestone with the go-live of LuxCSD. Given the scope and quality of its services, I am confident that LuxCSD will provide its customers in Luxembourg and throughout Europe an access which is second to none to the eurozone markets and in the future to TARGET2-Securities."

LuxCSD will also provide reporting and connectivity through ISO 15022 and DTCC's latest message standard, ISO 20022, as well as asset servicing like the handling of exchanges, income and redemptions and corporate action events while more comprehensive custody services are available to customers for securities accepted and held by LuxCSD.

Pierre Thissen, head of market infrastructure of the Banque centrale du Luxembourg, says, "Delivery versus payment (DVP) settlement in central bank money is widely recognised as the safest way to achieve securities settlement. LuxCSD will therefore contribute to lowering settlement risk. The Luxembourg financial center is, historically and because of its place at the heart of Europe, very much cross-border oriented. While domestically rooted in Luxembourg, LuxCSD will be oriented towards the entire eurozone and beyond and will naturally link to T2S when it is implemented."

Thissen is also a member on the board of directors of LuxCSD.

J.P. Morgan moves ahead with tri-party repo reforms

Reaching 99 per cent plus compliance from active tri-party repo clients for three-way trade is something of which J.P. Morgan's Worldwide Securities Services is quite proud.

For months, the tri-party repo team worked daily with dealers and cash investors in order to familiarise them with the new tools and procedures, ultimately ensuring a smooth transition to mandates handed down by the Task Force, a private sector group sponsored by the New York Federal Reserve Bank. J.P. Morgan has been an active participant from the beginning and co-chairs the Operational Arrangements Working Group.

Still, there was a need to convince participants of the wisdom of getting paperwork and practice in early to run through the different processes, according to Jason Paltrowitz, Americas market executive for banks and broker dealers, speaking on the sidelines of the RMA conference in Naples.

Though the deadline for three-way trade confirmation had been communicated by the Task Force well in advance, since dealers and investors had to make final preparations, the last few days before the October 3 cutover date were incredibly busy, according to J.P. Morgan.

The firm has now passed the implementation period, contracts are signed and clients are confirming trades daily. Now, preparations are being made for the remaining Task Force milestones in 2011 and 2012.

"We are proud to have met all our dates and have done so without imposing new costs on our clients. We will continue to do everything that we need to do to be on time or even ahead of time, and to support our clients throughout upcoming transition and are looking forward to moving beyond Federal Task Force Reforms to further innovate in the tri-party repo space, " Paltrowitz adds.

As regulations continue to evolve and derivatives are cleared through central counterparties (CCPs), J.P. Morgan will leverage the investments it's already made in technology and infrastructure for use with the emerging market models.

According to Paltrowitz, J.P. Morgan has the ability to support a variety of different deal structures, the flexibility to segregate accounts, and the capability to dynamically allocate collateral throughout the trading day.

Citi expands PE fund administration services

Citi has announced it has expanded its private equity and real estate administration services with an extension of its end-to-end portfolio administration capability.

This enhanced service provides private equity investors, such as Pine Bridge Investments, with a consolidated view of investments across multiple funds and administration agents, and supports the full suite of back-office operational activities to provide investors with improved transparency and risk management capabilities.

"The solution provides comprehensive web based investor reporting, data analytics and operational capabilities to enable private equity investors like PineBridge Investments to focus more of their resources on managing assets and client relationships," says Sanjiv Sawhney, global head of Fund Services at Citi.

Private equity investors are facing an increasing burden to consolidate data, track returns and administer investments across multiple funds and administration agents. Responding to this need, Citi leveraged the Burgiss Private i and Private Informat tools through the Burgiss Group, an industry leader in technology and data services, to deliver integrated investment reporting and analytics that are seamlessly integrated into Citi's private equity administration service.

BNY Mellon launches Solvency II solution

BNY Mellon has launched a new data management solution to meet the European insurance industry's Solvency II asset data reporting requirements.

The new service, built around Eagle PACE(TM), Eagle Investment System's data management platform, provides Pillar 3 Quantitative Reporting Templates (QRT) reporting. It also supports insurance companies as they negotiate the data governance and data quality hurdles imposed by the new regulations.

The service meets key client needs around Solvency II asset data requirements in respect of:

Gathering and validating the data from the insurer and the insurer's partners using industry standard templates

Data enhancement via BNY Mellon's own vendor feeds and the insurer's own management information

Data consolidation and reporting as specified in the regulations.

Frank Froud, head of Europe, Middle East & Africa (EMEA) for Asset Servicing at BNY Mellon, said: "To date, the focus for insurance companies has rightly been the calculation of the Solvency Capital Requirement and how this may affect future business. Attention is now turning from Pillars 1 and 2 to Pillar 3, and in particular the contents of the QRTs. The QRT data requirements are extensive, spanning enterprise, portfolio and reference data typically housed on a multitude of systems within both the insurers and their suppliers' organisations. Not only must this data be gathered and consolidated, it also has to be enriched if it is to comply with the strict data quality requirements stipulated by Solvency II."

John Legrand, managing director, Europe, Middle East & Asia-Pacific at Eagle Investment Solutions, said: "Our solution provides insurance companies with a centralised approach to data quality management that goes above and beyond the requirements set out in the Directive. Eagle's proprietary data-centric technology means we can automate the process and provide clients with complete, accurate, and transparent data to support greater operational effectiveness and stronger risk-based decision making in the context of Pillars 1 & 2."

Paul Traynor, head of insurance, EMEA at BNY Mellon, said: "Market Risk comprises two-thirds of a life insurer's Solvency Capital Requirement. So the creation of a strong data governance model around asset data collection is of paramount importance. When you take into account other complicating factors, such as investments in alternatives and repos as well as securities lending activity, then it is clear there is a definite need for a robust, data-centric solution to meet Solvency II's asset data collection requirements."

Penson expands MSA with Broadridge

Penson Worldwide has announced that it has entered into an expanded master services agreement (MSA) with Broadridge Financial Solutions.

"Our MSA with Broadridge strengthens the relationship between the two companies, provides immediate benefits to Penson, the opportunity for additional long-term cost savings and continues our progress with the strategic initiatives we announced in August, which are intended to reduce costs and debt, increase profitability and capital, and better position the company for growth," said Philip Pendergraft, CEO of Penson.

The agreement expands the scope of business process services outsourced to Broadridge and allows for the termination of the MSA schedule with Penson's UK arm.

SocGen gets LBO France Gestion mandate

Societe Generale Securities Services (SGSS) has announced it is selected by LBO France Gestion to provide depositary bank services. The mandate covers 54 French-domiciled venture capital funds (FCPR).

LBO France Gestion mandated SGSS for its experience as a depositary bank, the quality of its complete range of back office services and for its capacity to manage the migration of funds efficiently and rapidly. Over 100 non-listed stocks, representing more than 600 positions, were thus migrated in one month, wrote SocGen in a statement.

Citi gets HLB mandate

Citi Securities and Fund Services has announced that it has been appointed to provide a comprehensive range of custody and portfolio administration services to the Federal Home Loan Bank of New York (HLB).

Additionally, the HLB will utilise Citi's proprietary platform to deliver white-labeled settlement and safekeeping services to its member banks. Citi will also provide portfolio accounting for HLB's proprietary investment assets.

"Citi's scale and robust technology platform will allow us to deliver advanced custody services while helping us to create efficiencies and reduce operational risk," says Paul Héroux, SVP and head of member services at HLB.

Grant Thornton acquires fund administrator

Grant Thornton Capital has announced it has acquired First Light Administration Services as part of the financial advisor's growth plan in South Africa.

First Light will integrate into Grant Thornton Capital's employee benefits division, specifically into the retirement fund administration business.

"The integration of First Light not only bolsters our employee benefits offering but it also brings value to our clients through our existing diversified financial services including consulting, private client wealth management and investment management," says Gary Mockler, executive chairman of Grant Thornton Capital.

Nomura picks Traiana for ETD services

Traiana has announced that its Harmony system will expand Nomura's exchange traded derivative (ETD) client service platform.

Nomura's clients will have the capability to reconcile their executions and allocate across one or more futures commission merchants (FCMs), with real-time clearing status monitoring in Nomura's client service portal.

Jim Chrystal, co-founder of Traiana, says, "We are excited to work with a market leader like Nomura on this strategic initiative, defining a new standard in post-trade processing and client servicing for the industry."

High volume clients can be integrated directly into the solution in their preferred protocols and message formats, allowing them to match and allocate their trades electronically. As a result, exceptions and breaks are identified intraday, not end of day, streamlining the clearing and allocation processes.

Michelle Neal, Nomura's global head of electronic markets, futures & OTC clearing, said, "As clients seek to diversify their clearing amongst a number of providers, automated, real-time post-trade processing is essential to minimise risk and costs. Working with Traiana is another step to keep Nomura's execution and derivative clearing offerings at the front of the marketplace."

Euroclear and Capital Precision to centralise shareholder identification

Capital Precision and Euroclear have signed a cooperation agreement to centralise the provision of worldwide shareholder identification data to equity issuers in key markets.

Capital Precision's experience in obtaining comprehensive information on shareholder positions, through the application of its industry leading identification methodology, is complemented with Euroclear's close proximity to equity issuers and their intermediaries.

Under the agreement, Euroclear will liaise with issuers seeking to identify their shareholders worldwide. Capital Precision will complement the home market shareholder record received from Euroclear or the issuer, by identifying the issuer's shareholders from outside the issuer's home market.

Capital Precision will also perform its information analytics to provide added-value benchmark and shareholder profile information to the issuer.

The new service offering will include (depending on the market and according to issuer needs):

- domestic shareholder identification;
- foreign shareholder identification;
- shareholder groupings according to investor type and strategy, eg, hedge funds, buy and hold, etc.; and
- detailed shareholder and peer company analysis.

The joint service offering is expected to cover equities issued in five markets where Euroclear operates as a central securities depository (CSD), equating to over 30 per cent of equity market capitalisation in Europe.

Jo Van de Velde, managing director and head of product management at Euroclear, stated: "The ultimate goal of having complete and accurate information concerning company shareholders worldwide is rapidly becoming a reality. Against the backdrop of sweeping regulatory changes aimed at strengthening corporate governance through greater shareholder transparency, in cooperation with Capital Precision, we will be able to equip issuers with greater shareholder knowledge. In-depth reporting on shareholder profiles will assist issuers in targeting a wider shareholder base, arranging investor road shows and increasing shareholder participation at annual general meetings."

Van de Velde continued: "Certain markets already empower issuers with the right to request a breakdown of their shareholder base from any financial intermediary. However, in other markets where no such legislation exists, it is more difficult to identify the beneficial owner. The joint Euroclear/Capital Precision service will go a very long way in delivering comprehensive domestic and foreign shareholder information to issuers via a single request to Euroclear."

Results round up

Bank of New York Mellon reported third quarter net income of $651 million, a lift of 4.6 per cent from $622 million versus the same period in 2010, on the back of new business wins, net long-term asset flows and increased deposits.

Investment services fees totaled $1.8 billion, an increase of 11 per cent year on year and two per cent from the previous quarter. Asset servicing during the third quarter generated over half of these fees, at $928 million, a rise of 6.7 per cent versus the third quarter of 2010. Year-to-date, asset servicing fees have totaled $2.8 billion, an increase of some 30 per cent for the same period in 2010.

"The increases primarily resulted from seasonally higher depositary receipts revenue, which had traditionally been generated in the fourth quarter. Both increases also reflect net new business, partially offset by higher money market fee waivers. Additionally, the sequential increase was partially offset by seasonally lower securities lending revenue and the impact of lower equity market values," wrote BNY Mellon. Assets under custody and administration were at $25.9 trillion at the end of the third quarter this year, up 6.1 per cent from the same quarter the year previous but still a drop of 1.5 per cent from this year's second quarter. The increase over last year was driven by net new business and the decrease from the second quarter reflects lower equity market values, partially offset by net new business.

The market value of securities on loan was at $250 billion in the third quarter 2011, a 10.4 per cent drop versus the same quarter in 2010.

Northern Trust has announced third quarter profits of $170.4 million compared with $155.6 million the year previous, a rise of 9.5 per cent and 12 per cent quarter on quarter.

Third quarter net income per common share was $.70 compared with $.64 in the third quarter of 2010 and $.62 in the second quarter of 2011.

Trust, investment and other servicing fees, which represented 57 per cent of revenue, were $555.3 million in the current quarter compared to $518.7 million in the prior year quarter, an increase of $36.6 million, or seven per cent.

In Corporate and Institutional Services (C&IS), trust, investment and other servicing fees increased $17.7 million, or six per cent, and totaled $310.9 million compared to the prior year quarter's $293.2 million. Custody and fund administration represented $205.6 million in revenue, a 29 per cent lift year on year, while securities lending fell to $20.7 million, a 63 per cent drop.

The increase in C&IS fees primarily reflects recent acquisitions, new business, improved markets, partially offset by the decrease in securities lending revenue.C&IS assets under custody totaled $3.8 trillion, up seven per cent and included $2.3 trillion of global custody assets, up 10 per cent year on year.

Frederick Waddell, chairman and CEO, says,"Our third quarter results reflect strong earnings growth despite the persistent challenges of a difficult global economic environment. New business, across the company, was excellent as was our continued focus on the balance between revenue and expense growth."

Non interest expense was $701.2 million, an increase of 13 per cent versus last year's quarter, of which compensation expense was the largest component at $311.1 million, up 14 per cent year on year. The increase is mostly due to higher full-time equivalent staff levels, higher performance-based compensation and annual salary increases.

In its annual earnings statement, **BlackRock** credits advisory and administration fees as well as securities lending revenue for an increase in Q3 revenue.

Third quarter 2011 revenue of $2.2 billion increased $133 million, or six per cent, from $2.1 billion in the same quarter the year previous, while third quarter net income of $595 million is an eight per cent lift from a year ago but a drop of four per cent quarter on quarter.

"Investment advisory, administration fees and securities lending revenue of $1.9 billion in third quarter 2011 increased $155 million, or nine per cent, from $1.8 billion in third quarter 2010. The increase in fees reflected growth in average long-term AUM which included the benefit of net new business, partially offset by a decline in fees from cash management products due to lower average AUM," wrote BlackRock.

Long-term AUM of around $3.0 trillion decreased $308.3 billion during the quarter, largely driven by market and foreign exchange declines of $298.7 billion. Cash management AUM of $244.7 billion declined one per cent.

State Street profits were up 1.2 per cent in the third quarter this year, on a non-operating basis, rising to $544.3 million from $538 million year on year. Third quarter 2011 earnings per common share are at $1.10 compared to $1.08 in the same quarter the previous year.
Revenue was at $2.4 billion in the third quarter this year, up five per cent year on year, however, expenses jumped 18 per cent to $2.3 billion.

In terms of revenue, servicing fees were up 10 per cent to $1.1 billion in the third quarter of 2010 attributed to net new business and the improvement in daily average equity valuations. Securities finance revenue plummeted 38 per cent from Q2 this year to $85 million, though it was still up 25 per cent year on year.

On an operating basis, revenues increased from last year's quarter by some 12 per cent on the back of new business wins as well as stronger foreign exchange revenue, according to State Street's chairman, president and CEO, Joseph Hooley.

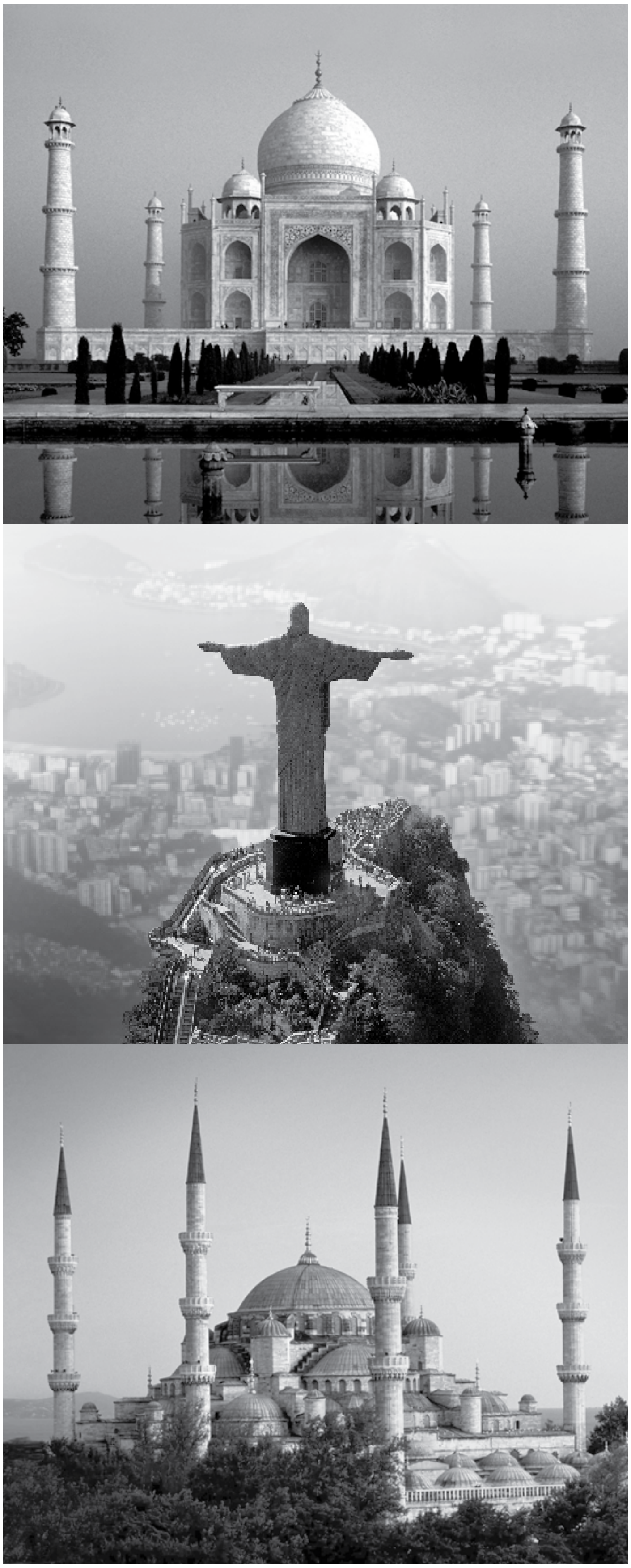
Hooley adds that the custodian ended the third quarter with a tier one common ratio of 16 per cent leaving it well positioned to submit a capital plan to the Federal Reserve next year.

"As we approach the end of 2011 and plan for 2012, we expect to face a prolonged, worldwide low interest-rate environment, constrained economic growth, anticipated higher capital requirements, and increased regulatory and compliance costs. We are addressing these challenges by remaining focused on our clients and growing our business, while controlling expenses with a goal of continuing to generate positive operating leverage," he says.

Assets under custody and administration in the third quarter fell 5.5 per cent to $21.5 trillion quarter on quarter, but were up 6.3 per cent from $20.2 trillion from the same period last year.

Just before earnings were released, activist investor Nelson Peltz, through Trian Fund Management, criticised State Street for costs outgrowing sales, despite significant asset growth.

Salaries and employee benefits rose almost 11 per cent to $965 million year on year, but were down by 4.4 per cent compared to the second quarter this year.



Asia

With the eyes of the financial world looking East, Asia's asset servicing industry is going strong

BEN WILKIE REPORTS

For years, investors have been eyeing the Asian market with excitement. Along with the traditional markets, such as Japan, Hong Kong and Singapore, exciting new territories of Vietnam, Thailand and others are offering double-digit growth in a world where growth of any sort seems to be a bonus.

And then there's China. Soon to become the world's largest economy, the country is gradually liberalising its financial markets and attracting funds from all over the world. It's expected to be one of the most important countries in the world.

And within the region, the asset servicing industry has the experience and the expertise to support them. Both Singapore and Hong Kong are long-established hubs - perhaps more on the custody side than fund administration - while Japan's somewhat moribund market is gaining efficiencies. The newer markets are standing on the shoulders of giants by investing in the latest technology and infrastructure to ensure they are fleet of foot and ready for business.

Yet Asia doesn't host that many funds of its own. Asian funds tend to be domiciled in the likes of the Cayman Islands, Luxembourg or Dublin. Domestic only funds stay close to home, but anything with any international element goes overseas.

For some in the industry, this causes issues. "Firstly, we have the time difference. If we want to talk to our managers or compliance people, then we have to get them first thing in the morning or last thing at night," says a representative from one of Hong Kong's larger fund companies. "Reporting isn't an issue because of automation, but if you have a question or want a personal response, you won't necessarily get it answered straight away.

"Then there's the cost - we have to factor in the regulatory costs for more regions and domiciles than we really need to. Especially at the moment, when there are so many regulations coming out of the countries most affected by the banking crisis, the costs for compliance are eating up more and more of our cash.

"And finally it's a case of us being able to do it ourselves now - Luxembourg and Dublin - as well as others - are popular in Europe because Europe has both a large funds market and is a significant destination for inward investment. The same applies to North America and its relationship with the Caribbean domiciles. They are servicing a vibrant market. Well, Asia now has a vibrant market and we need to do something to ensure we have the ability to have our own Luxembourg or Cayman Islands."

This desire is starting to translate into action. A lobby group comprising initially of participants based in Hong Kong, New Zealand and Australia is in the process of being formed, which will work to develop an Asian domicile. Initial plans include work toward the creation of an Asian-style passport and a UCITS-style regulatory structure for Asia. New Zealand has a new regulatory regime inspired by UCITS and other jurisdictions are moving in a similar direction. NZ, however, is a long way away from the major financial centres of Asia, so it's more likely that somewhere closer to home is going to feel the growth.

The catalyst for this is likely to be the rise of China," says Paul Smith, chief executive at Triple A Partners, a Hong Kong-based advisory firm. "If domestic fund domiciliation legislation does get enacted, Hong Kong and/or mainland China will explode as a funds centre."

While that development continues, other firms with an Asian presence are ramping up their operations. Following the hiring of former HSBC executive Colin Lunn to UBS, the Swiss bank has big plans for the fund administration on the ground in the region. UBS currently services most of its Asian fund of funds and hedge funds from centres in the Cayman Islands, Toronto and Europe but, says Christof Kutscher, CEO for Asia-Pacific at UBS Global Asset Management, clients are increasingly demanding a local presence.

"There is a role for a high-quality provider of fund-administration services in Asia," says Kutscher, explaining that the firm is planning on building services to hedge funds, funds of hedge funds, private equity, funds of private equity funds and UCITS-based funds from Singapore, where it already has an operations centre. It is also upgrading its offering for sovereign wealth funds and other major clients in both Singapore and Hong Kong.

As a result of the growing appetite by banks in the region, technology providers are also making a real effort - and because in many cases they have the opportunity to start from a clean state, the new launches in new economies are often absolute best of breed, often at a lower cost to their more established rivals.

It's not just the banks that are seeing the benefits of encouraging more work to be done in the region. The Monetary Authority of Singapore has placed a priority on strengthening the city state's attractiveness as a destination for fund administration business, while the authorities in Hong Kong and some of the emerging markets are doing the same.

"In many ways the region has the best of both worlds," says consultant Peter Mariest. "Some of the jurisdictions are long-established and highly regarded, with a strong infrastructure and highly-regarded workforce. They're going to get the business from all corners of the world. Others are still working to implement all the requirements needed to be an attractive domicile, but this means they can look at other regions and pick the best practices from there. They don't have the disadvantage of legacy systems or out of date working practices and they can often offer attractive costs savings that firms who have seen a downturn in their alpha will be attracted to."

Singapore - along with other players in the region - has also made huge strides when it comes to tax treaties with its neighbours, particularly when it comes to taxation of funds. It has an agreement with India, a growing source of hedge fund investment as well as treaties with other important sources of funds. Indian-owned funds based in Singapore are set to be a significant source of growth.

India itself, long a favoured destination for financial firms looking for a destination for their back offices, remains in the mix. Its large pool of a hugely educated workforce, technical infrastructure, low costs and existing reputation as a back office hub means it can never be ruled out.

Hong Kong is always going to be a vital centre, and while Japan continues its recovery from the devastation earlier this year, it doesn't seem to have the ambition to become a major centre for the region - preferring to concentrate on its domestic investments. The new economies of Thailand, Vietnam, Malaysia and Indonesia will play a part, although in some of those countries there remain concerns about the stability of the governments, as well as a relatively short track record when it comes to managing international investments.

But it's the region as a whole that is going to benefit. With Asia now an established and valued investment centre, the subsidiary sides of the business are exerting their strength. The development of the back office in the region may end up being a battle between two or three highly regarded domiciles but as the European and Caribbean models have proved, there is likely to be room for more than one centre. **AST**

Guernsey bound

Mercator Fund Services' MD speaks to AST about how the island has developed during the downturn and the changing role administrators are playing

BEN WILKIE REPORTS

SLT: How has your local market reacted to the financial crisis over the past couple of years?

Mark Douglas: Guernsey's financial services sector, and in particular its funds industry, has held up remarkably well during the financial crisis as evidenced by the latest official statistics, which show an eighth consecutive quarter of growth and a record high for investment funds under management or administration.

Guernsey has earned an excellent reputation as a fund jurisdiction thanks in part to the high standard of its regulation and its service providers. At the same time, the legislative and regulatory regime has evolved to meet the changing nature of the fund industry and Guernsey has been at the forefront in terms of developing new products. As a result, Guernsey has stolen a march on many of its competitors in respect of certain types of funds, most notably private equity, property and funds of funds, and as such the financial crisis has not necessitated any great regulatory changes. That is not to say that anyone is resting on their laurels.

SLT: Where is the business coming from? Is this changing?

Douglas: Guernsey has long been integrated into the City of London and service providers maintain close contact with the major London law firms and tax advisers, while the island is the most popular domicile for investment companies listed on the London Stock Exchange (both main market and AIM). While the UK and Europe remain important sources of business for Guernsey, there is a recognition that the world is changing and there has been a significant amount of promotional activity over the past couple of years as Guernsey looks to develop new markets for its fund products. Promotional trips to China, India, Russia and the Middle East have been organised by Guernsey Finance, the promotional agency for the island's finance industry, accompanied by industry practitioners and in some cases government ministers.

The tax efficiency and attractive regulatory framework of Guernsey funds are already being recognised by promoters from other parts of the world. For example, Guernsey has recently become the jurisdiction of choice for incorporating Indian entities listing on AIM. Middle Eastern promoters have also found that Guernsey's regulatory regime has the advantage of being able to support Shariah-compliant funds.

Significant business flows are expected from the Far East over the next few years. Guernsey Finance has a representative office in Shanghai and some Guernsey law firms and administrators have already looked to establish a physical presence in the region. Earlier this year, Guernsey was approved as an acceptable overseas jurisdiction by the Hong Kong Stock Exchange for the purpose of companies incorporated in the island seeking to list on the Exchange.

SLT: Is the role you play changing? Are clients now asking more of you?

Douglas: Over the past two decades, as Guernsey's fund industry has experienced a gradual shift from high-volume retail funds to institutional niche funds, the role of the administrator has changed. Clients are looking for a more tailored and personal service. They require an administrator who can deal with funds that are 'out of the ordinary' and who is proactive in developing solutions to problems; they are looking for added value.

More recently, there has been a greater focus by many investors on robust regulation and sound corporate governance. Promoters are therefore looking for a competent company secretary with experience in complying with the listing rules of various stock exchanges and the requirements of applicable codes of corporate governance. Investors also require greater transparency than ever before, and administrators need to be able to cope with the greater volume and frequency of investor reporting.

SLT: How much competition is there between you and other European domiciles - Gibraltar, Luxembourg, Malta, Dublin etc?

Douglas: Competition between different jurisdictions has inevitably increased given the reduction seen in new fund launches since the start of the financial crisis, although the competition has tended to be keenest against other offshore jurisdictions rather than our European neighbours. Guernsey has carved out a niche for alternative investment funds, whereas onshore European centres have tended to remain more focused on UCITS equivalent products.

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Guernsey has also been proactive in looking at opportunities to cooperate with other fund jurisdictions for mutual benefit. For example, it is recognised that there are fund structures that can benefit from having both onshore and offshore elements. Guernsey Finance recently hosted a debate in Luxembourg to discuss ways in which service providers from the two jurisdictions could work together in such circumstances.

Another example of such cooperation was the way Guernsey and Jersey worked together to make joint representation on the proposed Alternative Investment Fund Managers Directive (AIFMD) to key individuals in Brussels in order to achieve the best possible outcome for the two islands.

SLT: Do the new FATCA rules have any effect on your business? Are there potential opportunities here?

Douglas: Guernsey investment funds will have to comply with the FATCA requirements when they come into effect on 1 July 2013 (although it is possible that this date may be pushed back further). While we wait for the next draft of the regulations to come out early next year, we are discussing the possible impact with our funds' tax advisers and considering any gap analysis required. It has been suggested that some administrators may decide that they want nothing to do with FATCA and so will be prepared to drop any clients with US source income or US investors, which in turn will provide opportunities for others who are prepared to embrace the challenge.

There are also potential opportunities arising for Guernsey from the AIFMD, which was initially seen as a threat to the Island. It should be possible for EU investors to subscribe to Guernsey funds, which are not subject to the provisions of the AIFMD, on the basis of reverse solicitation, passive marketing or, in due course, 'passporting' of Guernsey funds into the EU. Furthermore, some EU-based fund managers may choose to relocate to Guernsey should they find the AIFMD provisions too restrictive.

SLT: How much is the changing regulatory environment affecting your business? Is there now a requirement for firms to have certain scale if they are to cope with the new landscape?

Douglas: Guernsey has a reputation as a well regulated jurisdiction so local administrators are already subject to a high level of regulation and have perhaps not been as affected as administrators in other jurisdictions who are now playing catch up. The main impact will be felt from legislative changes in the EU and US, such as AIFMD and FATCA. In these circumstances, it may be acceptable to pass some of the costs on to the client, but administrators also need to review their procedures and seek to be more efficient.

There has already been some consolidation among fund administrators as evidenced by a number of recent mergers and acquisitions. Some of the smaller independent administrators, who perhaps entered the industry just before the financial crisis took hold, will no doubt be feeling the pressure. However, there is still very much a role for the larger independents who are ideally suited to providing the bespoke service that many alternative funds require.

SLT: How important is technology now within your business? Is this changing?

Douglas: Technology obviously has an important role to play and we are constantly reviewing our systems to ensure that they deliver what our clients want in the most efficient way. High volume transactional business such as transfer agency work, which is often outsourced and works on very narrow margins, will have different technological requirements compared to fund administrators who provide more bespoke services. In the latter case, the requirements are often driven by investor reporting requirements. While technology remains important, we must not lose sight of the fact that we are a people business and that the quality of our staff will have a greater impact on the value that we are able to add for clients.

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SLT: What are the key issues you are focusing on for the future?

Douglas: At Mercator, we are committed to delivering a first class client service in an efficient and expert way, focused at all times on being responsive and innovative and maintaining a close personal relationship with all our clients. While, like many administrators, we are focused on developing new markets, we must not lose sight of the importance of client service and recognise that existing clients and intermediaries remain the best source of new business. **AST**

Mark Douglas
Managing director
Mercator Fund Services Limited

Performing under pressure

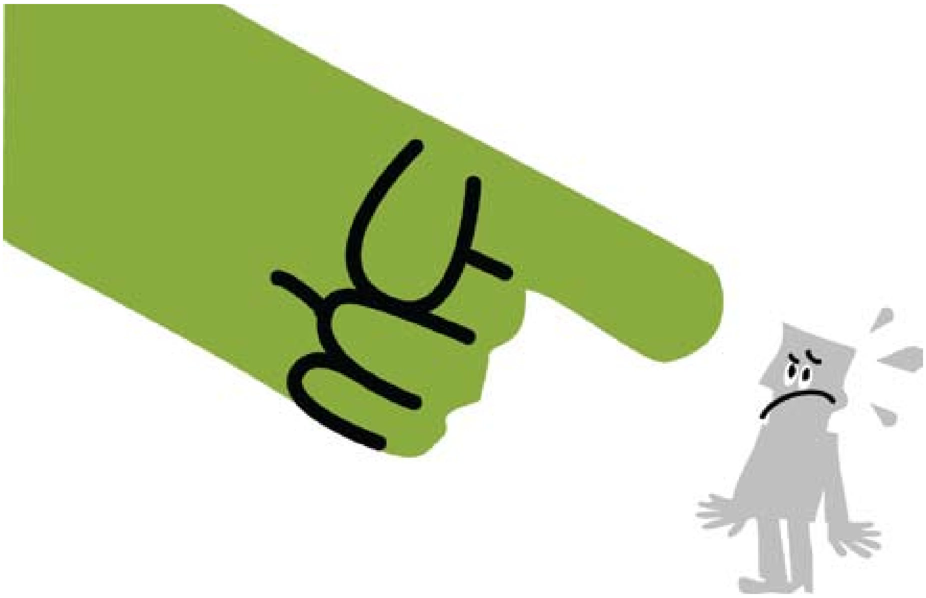
Deloitte has recently published its fourth annual global fund administration survey to gauge the issues foremost on the minds of the world's asset servicing providers

SURVEY RESULTS

The demands on fund administrators have increased over the past two years as the marketplace continues to evolve, a new regulatory environment takes shape and investors demand more transparency and timely delivery of information than ever before.

The continued institutionalisation of the investment industry has resulted in a soaring demand for higher standards of fund administration services. But what do administrators themselves see as the key challenges in reaching those standards?

To find out, Deloitte recently conducted its fourth survey of third-party fund administrators around the world — the first to include hedge fund administrators from North America and the Caribbean.



Key findings
The results of the survey indicate that today's administrators face challenges in five key areas, with regulatory change leading the list (see below).

Other key issues are:
- Cost containment
- Implementing new technology
- Maintaining service quality
- Pressure on fees

Trailing these urgent topics are others that come as no surprise: managing growth, the ability to support more complex asset classes and structures, and the increase in client demands.

Regulation
No matter the geographical location or size of the respondent's organisation, the single biggest issue facing the industry as a whole is regulatory change. In fact, 65 per cent of respondents identified this as their greatest challenge. Given the breadth of new regulations — and prospective regulations — it is no surprise that this has been identified as the greatest challenge.

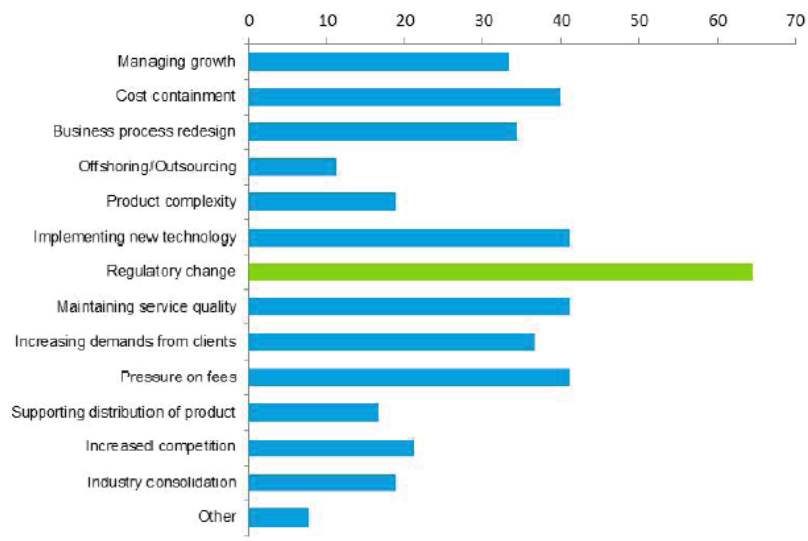
The European Union (EU) Alternative Investment Fund Managers Directive (AIFMD) generated significant debate as it went through the EU parliamentary approval process in late 2010, and the industry awaits the Level 2 measures expected near the end of 2011.

"Offshore" survey respondents — those based in Cayman, Guernsey, Jersey, Bermuda, and the Isle of Man — were twice as likely to see the AIFMD having a significant impact on their business when compared to the "onshore" jurisdictions.

The rollout of other regulations, specifically UCITS IV and the Securities and Exchange Commission (SEC) Custody Rule, are not seen as significant developments for the administration community, although they are undoubtedly top of mind for asset managers. As specific requirements of both become clearer, administrators will need to stay on top of changes in their clients' requirements, and begin preparation for any new data delivery and reporting requirements these regulations may require. This includes the proposed SEC Form PF that will be used to collect the portfolio, risk, and investor data of private fund advisers registered as an investment adviser with the SEC — a population set to increase with the mandatory registration established under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Although regulation is the clear number one issue facing administrators today, the table below illustrates that several other pressures are squeezing administrators as well and are seen as significant for more than 40 per cent of respondents. All of these issues are linked.

Service quality and technology
When the markets crashed in 2008 and 2009, many administrators felt the impact quite starkly. As assets under administration fell so too did administration fees, which were largely based on a percentage of those assets. Administrators



had developed infrastructures and staffed their organisations to service higher levels of assets.

The new asset levels did not support the increased cost structures and some difficult decisions had to be made. In many cases, headcount had to be reduced and planned technology capital spend was deferred; the workload of an administrator, however, increased.

These challenges required administrators to quickly adapt their operations to maximise efficiency and take an innovate approach to expanding their service offering. These new models often involved more streamlined processes and efficient use of information technology. The services that clients request from administrators are also changing with the new investor model. Today's clients demand middle-office services, risk reporting, and an increased level of transparency. These services will, in time, become core services, and administrators must become more innovative and provide these additional services to maintain their client levels.

Fee pressure
While asset levels have returned to the markets — in the alternatives area, for example, HFR recently reported the global hedge fund industry exceeded $2 trillion for the first time in its history - hedge fund administrators still face pressure to deliver more services for lower fees.

The administration market remains very competitive and while only one in five administrators in the survey view increased competition as a major issue, a similar number see industry consolidation as a significant concern. For every merger of administrators, there is disruption in an already fiercely competitive market.

To address the issue of fee pressure, Deloitte asked administrators if they saw any changes to fee models in the future. One in three responded that they would look to charge separately for "add–on" services and there has been a move to more detailed service level agreements setting out what constitutes core administration services. 20 per cent of respondents plan to increase minimum fees charged — no doubt preceded by challenging conversations with their clients.

Notwithstanding fee pressure, 95 per cent of respondents predicted positive revenue growth in their business in 2011, which is a reflection of the anticipated growth in assets under administration and positive endorsement of the asset servicing industry's prospects moving forward.

Costs
If fees continue to be squeezed, administrators must continue to look at their cost base, and the survey shows some ambitious cost-management programs being implemented in 2011:

- 40 per cent of administrators are looking to take six to 10 per cent off their cost base
- 20 per cent are looking for greater than 10 per cent
- Five per cent are looking for in excess of 20 per cent

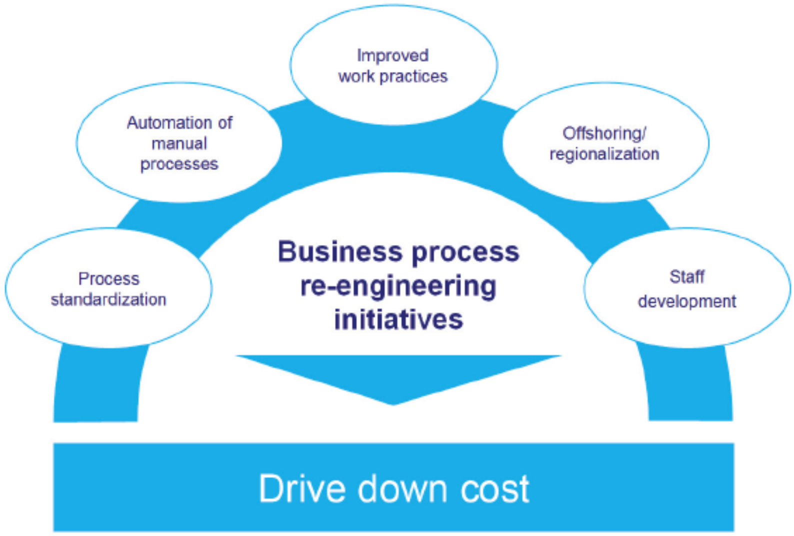
To achieve this, there has been an increased use of offshore resources as well as consolidation of complex processes to onshore centres of excellence. What other initiatives are administrators employing to reach these goals?

A majority of administrators have made significant progress in the areas of staff development and process standardisation, but more than 45 per cent of respondents intend to invest significantly in enhanced data integration and connectivity, the automation of manual processes in an attempt to drive down cost, manage operational risk, and provide the enhanced services their clients expect (see below).

Summary
The challenges facing the hedge fund administration industry today are likely just a precursor to the long-term challenges many experts anticipate. Administrators will be forced to continue developing innovative service offerings to address their clients' needs and to meet the new regulatory regimes as they come into force.

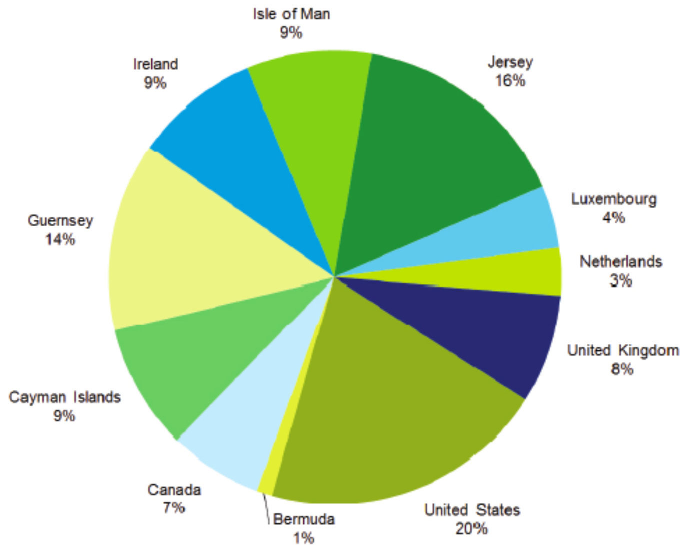
They will do so in the face of ongoing pressure on fees, although some flexibility in fee charges is anticipated, alongside some growth with the expected rebound in assets under administration.

That 95 per cent of respondents expect revenue growth in 2011 is a positive statement of intent from the administration industry to meet these new challenges head on and to continue to evolve to meet the new demands placed on them. AST



Respondent profile
We received responses from 70 administrators, based in 11 countries (Figure 1). Although all respondents provide third-party fund administration services, the profile of respondents' businesses varies:

- Fifty two percent work with more than $10 billion of assets under administration.
- Thirty five percent administer between $1 billion and $10 billion.
- Thirteen percent of respondents administer less than $1 billion of assets.



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**
23 Nov 14 Dec	**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**
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 for Asia and **Nick Wheeler** as product manager responsible for EMEA and the Americas.

They 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 and has previously worked at ING. He has over 10 years of experience in the Asia Pacific fund services market 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 has worked for Citi in Dublin, Luxembourg and most recently London, where he will now be based as well.

Omgeo has announced the appointment of **Cornelia Dagdag** as executive director for sales and solution delivery. Before joining Omgeo, Dagdag was president and COO of the Philippine Securities Settlement Corporation, the clearing and settlement entity for the Philippine currency and fixed income markets.

Dagdag will be responsible for providing senior leadership at Omgeo for the Asia-Pacific region and growth in Omgeo's community of investment managers, broker/dealers and banks located in Asia-Pacific as well as oversight of Omgeo advisory boards. She will be based in Manila.

Tim Keady, managing director, sales and solution delivery at Omgeo, to whom she will report, said: "Omgeo's Asia-Pacific community has grown by nearly 50 per cent in the past five years. Further expansion in the region continues to be a key priority and we remain focused on embedding Omgeo within local infrastructure through strategic partnerships with CCPs and CSDs."

Prior to joining Omgeo, Dagdag was president and CEO at the Philippine central depository, where she was responsible for spearheading the establishment of the Philippine CSD, which supports both the equities and the fixed income markets.

"The automation of post-trade processes continues to attract growing attention from both global and local buy and sell side firms. It is an interesting time in the post trade industry and I look forward to working with my colleagues to capitalise on the opportunities, and to respond to the requirements of Omgeo's growing community in Asia-Pacific," says Dagdag.

BNY Mellon has appointed **Jim McEleney** as chief operating officer for Europe, Middle East & Africa, based in London.

The EMEA region represents 26 per cent of BNY Mellon's global revenues and the company employs over 9,000 staff across 16 countries within the region.

McEleney was formerly CEO of BNY Mellon's operations in Pune, India and a member of the company's Asia Pacific Operating Committee.

As COO of EMEA, McEleney oversees the regional governance framework on behalf of all BNY Mellon businesses and operations in EMEA, and has full responsibility for the management of BNY Mellon's relationships with EMEA regulators.

Michael Cole-Fontayn, chairman of EMEA at BNY Mellon, said: "Jim is a strong and experienced leader with a deep knowledge of our business, both here in EMEA and globally. Over the past few years he has been instrumental in growing our operation in Pune, one of our global centres of excellence, and I have no doubt he will bring the same expertise, dynamism and commitment to his new role."

McEleney joined BNY Mellon via The Boston Company as a financial analyst in 1987. Having worked for many years in a range of US-based roles, McEleney relocated to London in 2006 to establish the first European office for BNY Mellon Wealth Management, serving the global ultra-high-net-worth market. Prior to joining Wealth Management, the majority of McEleney's career with BNY Mellon had been with asset servicing, where in his last assignment he served for three years as chief administrative officer of global asset servicing.

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HazelTree Fund Services has appointed **Wilson Pringle** as a managing director in its New York office.

Prior to joining HazelTree, Pringle was co-head of business development for Stanfield Global Strategies' financing businesses with over $25 billion in assets and head of North American Client Services covering hedge funds and asset managers for JP Morgan's Global Derivatives Services Group.

At J.P. Morgan his team was responsible for delivering valuations and operational support for equity, credit, interest rate, and Fx OTC instruments. Wilson also served as senior consultant for IBM's Banking, Finance, and Securities practice and began his career at Morgan Stanley in fixed income trading. **AST**