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AIMA warns of liability costs for depositaries

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The Alternative Investment Management Association (AIMA) has warned of the potential costs associated with liabilities for depositaries outlined in ESMA's final report to the EU Commission on the AIFMD.

Central to the regulation is the liability regime, which would make banks that offer depositary facilities liable for losses of financial instruments incurred from the default of a sub-custodian. The finalised guidance aims to "strike the appropriate balance between the Directive's objective of ensuring a high level of investor protection while refraining from placing the entire responsibility on depositaries".

The AIFMD is a major piece of legislation designed to implement lessons learned as a result of the Lehman collapse and Madoff affair. The recent bankruptcy of MF Global has again put financial institutions, custodians and clearing houses in the spotlight as some $600 million in funds have gone missing from segregated client accounts.

In the US, the Chicago Mercantile Exchange (CME) insists that it followed regulatory requirements and exchange rules and procedures in reviewing MF Global's segregated funds statements after it was advised in the early hours of 31 October, the day the FCM defaulted, of the shortfall.

But the ensuing global fallout makes it difficult to argue with the logic behind boosting regulatory oversight on risk management procedures at safe-keeping facilities between the EU and other jurisdictions.

Jiri Krol, director of government and regulatory affairs at the Alternative Investment Management Association, said, "We welcome the open and transparent process ESMA has run. However, we remain extremely worried about the liability

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LSE posts big lift in post-trade services for H1

The London Stock Exchange (LSE) posted a strong showing for the six months ending 30 September, with post trade services' total income up 68 per cent driven by growth in clearing volumes.

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Broadridge signs on Edward Jones for compliance outsourcing

Broadridge Financial Solutions has announced that Edward Jones will be using its technology for the communication and delivery of transaction confirmations and required compliance documents for new issue equity and fixed income products in Canada.

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standard imposed on depositaries. If a depositary is held liable for the loss of financial instruments which are kept by custodians over whom the depositary has no control, significant costs will be created."

While ESMA notes that some of the other measures would entail "incremental" costs to the industry, the liability regime may increase capital charges significantly.

The report highlights an estimate that such costs could increase from 1.5 basis points of total assets under custody presently to 160 basis points, which could be higher than total management fees. Extended to all European depositaries, the increase in capital charges for non UCITS funds could amount to €32 billion though this figure would have to be confirmed by prudential authorities, ESMA notes. Other feedback suggested an imposition of capital charges of eight per cent of the assets held in custody.

Legal and industry experts are still digesting the implications of the 445-page document

LSE posts big lift in post-trade services for H1

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The results come at a time when the LSE and LCH.Clearnet are in exclusive talks on a potential merger.

Xavier Rolet, CEO, said, "Our diversification strategy is delivering...I am pleased to be reporting a strong first half performance across the Group with a 20 per cent rise in total income and a 79 per cent increase in profit before tax. Key highlights include a very good performance from Post Trade, an area we highlighted in 2009 as a core focus for us and which is now making a significant contribution to both Group revenue and growth."

The 20 per cent boost in total income, which combines revenue with treasury income from its clearing business, is mainly due to higher treasury income, derived from the Italian clearing house CC&G's management of money put up by trading firms as collateral, according to Dow Jones. CC&G has been lending this money to banks, earning interest from it and has recently benefited from higher interest rates brought by volatility in Italian markets. LSE net profit for the six months ending 30 September was up 86 per cent.

Broadridge signs on Edward Jones for compliance outsourcing

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The solution incorporates print on demand technology with inventory management and provides concise audit reporting. As a scalable offering it supports multiple new issues while ensuring that the most current documents are available for distribution.

Donna Bristow, VP client management and strategic product development, Canada, Broadridge, said, "By working closely with the Edward Jones team and tapping into our global securities experience, we created a new issue solution that offers economies of scale and innovation."

State Street adds IOO to AllianceBernstein mandate

State Street will be providing investment operations outsourcing services to AllianceBernstein for more than $300 billion in client assets.

Building on its more than 30-year relationship with AllianceBernstein, State Street will provide a range of services including trade settlement, portfolio administration and reconciliation, derivative operations, client reporting, and performance measurement for AllianceBernstein's institutional accounts.

Some 100 employees will transition from the asset management firm to State Street to provide global servicing support.

BNY Mellon selected by BBVA for asset servicing

BNY Mellon has announced it has been selected to provide middle office services for BBVA Asset Management's global funds range via its service offering, Derivatives360.

Patrick Tadie, global business head for Derivatives360 at BNY Mellon, said: "BBVA's decision to choose Derivatives360 for its increasingly sophisticated derivatives servicing needs in Spain and Mexico underlines how we are delivering capabilities from across our whole organization to benefit investors and issuers."

Services include OTC trade affirmation and confirmation, independent valuation, lifecycle event management, portfolio reconciliation, and collateral management and custody.

Frank Froud, head of EMEA at BNY Mellon Asset Servicing, said, "We will support [BBVA] in respect to credit considerations and product complexity, as well as their emerging needs arising from regulation and on-going industry standardisation. This approach will ensure BBVA benefits from end-to-end support and transparency, before, during and after a trade."

BNY Mellon seals outsourcing deal with Bridgewater

Bridgewater Associates has selected BNY Mellon to provide middle and back office outsourcing services in support of Bridgewater's diversified alpha and beta strategies. Services will include a fully integrated data warehouse, plus trade processing, portfolio accounting, and derivatives processing.

"Our OnCore platform is a best-of-breed technology specifically designed for investment managers," said Tim Keaney, CEO of BNY Mellon Asset Servicing. "Today we are announcing a comprehensive solution that meets Bridgewater's business requirements while also providing the required level of transparency, scalability and security."

Capita wins FA mandate for Irish UCITS fund

Capita has announced its appointment to provide fund administration services for Odey Asset Management, which just launched one of the first UCITS funds authorised by Ireland's central bank.

Capita will be providing daily dealing fund accounting, administration and transfer agency services to the umbrella fund.

Tim Pearey, CFO at Odey, said, "Having reviewed a number of providers, we chose Capita for their well regarded reputation in the industry for providing an excellent service."

The Odey Odyssey Fund is authorised by the Central Bank of Ireland under the UCITS IV directive and another sub-fund, the Odey Giano European Fund, has also just been launched.

Paul Nunan, managing director of Capita (Ireland) said, "Our current and extensive client portfolio in Ireland reflects our expertise in the market as well as showcasing our successful approach to building strong client relationships for the long term."

ICE Canada completes MF Global transfers

IntercontinentalExchange (ICE) has announced that its Canadian operation has completed the transfer or closure of all MF Global Canada customer positions executed on ICE Futures Canada and held at the clearing house.

The substantial majority of customer positions were transferred to alternative clearing participants at the request of customers, and the balance of open positions were closed by the clearing house. ICE Clear Canada remained fully collateralised throughout the process.

"ICE Clear Canada has worked closely with clearing participants and their customers to mitigate the impact of MF Global's default on our markets, and to ensure an efficient and expeditious resolution of the default," said Brad Vannan, president, ICE Clear Canada. "We are grateful for the assistance we have received from the Manitoba Securities Commission, clearing participants, FCMs and customers during this process."

CME struggles with MF Global default

CME has announced that the validation of collateral balances in some 15,000 accounts is taking longer than originally anticipated as the CFTC confirms an investigation has been opened.

After an auspicious beginning and coordination effort, the continuing situation seems to be taking a turn for the worse, particularly in light of about $600 million in missing client funds.

"CME Group recognises the urgency of the situation and is working to complete this process as soon as possible...[CME] is making substantial progress on verifications and continues to receive information from the 12 receiving clearing firms and other Derivatives Clearing Organisations (DCOs) to facilitate this process."

It points to "the massive undertaking of processing data to verify 15,000 accounts for CME Clearing, ICE Clear US, The Clearing Corporation, KCBOT Clearing, MGEX, NYSE Liffe US and OCC, as well as the unique circumstances of the MF Global bulk transfer process" as the reason for the delays.

Meanwhile, US commodities markets regulator, the CFTC, has announced that Jill Sommers has been appointed as senior commissioner in matters relating to the bankruptcy of MF Global effective immediately. The announcement comes after chairman Gary Gensler recused himself over a past professional relationship at Goldman Sachs with Jon Corzine, the former head of MF Global.

"While the Commission normally does not comment on investigations, the Commission has determined it is in the public interest to confirm the existence of this particular investigation," the CFTC said.

Sommers commented, "Segregation of customer funds is at the core of customer protection in the commodity futures and options markets and must be maintained at all times.

Aside from the investigation, we will do everything in our power to ensure public confidence in the markets by directing a review of clearing futures commission merchants (FCMs) to determine that segregated funds are being properly maintained in accordance with the CEA and Commission regulations."

AltResources targets mid-sized PE funds

AltResources has announced its formal business launch to provide private equity (PE) funds with administration services such as accounting, tax and compliance reporting.

PE executives recognise the growing burden of regulatory compliance. In a recent survey by KPMG of private equity industry executives, 51 percent of those surveyed said complying with new regulatory standards is a "difficult, time-consuming process," up from 43 percent a year earlier, wrote AltResources.

The new company has begun introducing its service to selected PE funds and expects to announce its first client engagements by year-end.

"Based on our modeling, we believe we can achieve savings of 20 per cent for an established PE fund with assets of less than $500 million compared to their in-house process, and for fund startups the savings from outsourcing are even greater," said founder and managing director John Wiencek, who was previously head of North American operations for Mourant Fund Services - a fund administrator acquired by State Street in 2010.

Howard Kirschner, director of tax services, said, "With increased regulation on the horizon, many PE fund managers will turn to third-party providers for compliance services. The days of relying on one person and an excel spreadsheet are over."

SocGen gets Italian bank mandate

Societe Generale Securities Services (SGSS) has announced its Italian operations will be providing custody and settlement services to the Banca di Bologna.

SGSS, which will supply custody and administration services for Italian and foreign securities and financial instruments, was retained for its capacity to identify the optimum operating model for Banca di Bologna's business, as well as its state-of-the-art technology and high-quality client support capabilities, the firm wrote.

BNY Mellon shares Denmark fund mandate

BNY Mellon has announced its joint appointment with Nykredit to provide global custody and fund administration services for Lønmodtagernes Dyrtidsfond's (LD) professional investment fund assets.

After a comprehensive EU tender process, LD awarded BNY Mellon and Nykredit Bank the mandate while Nykredit Portefølje Administration has been appointed to oversee day-to-day administration.

Jim Larsen, managing director of Nykredit Portefølje Administration, said: "Nykredit and BNY Mellon have established a strong track record in working together in the Danish market to service many of the market's leading institutional investors. This is the most thorough, detailed and professional EU level tender process we have taken part in to date and demonstrates that we can win in direct competition with the best in Europe."

Quintillion gets IQS fund mandate

Quintillion fund administration has announced its appointment by IQS to provide administration services to its Futures Fund, which launched this month.

IQS Capital Management will trade the assets of the fund using the IQS Diversified Programme. The Programme trades a diversified portfolio of futures contracts using an objective approach which employs a series of computer programmes.

Alan Doyle, senior manager at Quintillion, said, "Our technology platform, integrated systems and advanced data management are exceptionally well suited to this high trading volume investment strategy."

BNY Mellon provides pro-bono corporate trust services for UK Charity

BNY Mellon has been appointed by the disability charity, Scope, to provide pro-bono corporate trust services for the first issuance of its £20 million charity bond programme.

The charity plans to use the finance raised through the programme to expand its income generation activities such as fundraising programmes and its network of charity shops, both of which generate long term sustainable sources of income for its work with disabled people.
Geoff Burnand, CEO, Investing for Good said, "Until now investors who want their money to do social good have had difficulty in finding the right asset classes to invest in. The Charity Bond programme has been designed to strike a balance and also satisfy both the ethical and financial aspects of social investment.''

Investing for Good, a specialist adviser for impact investments, will act as the arranger on the programme. Dean Fletcher, head of Corporate Trust for EMEA at BNY Mellon said, "Providing our services on a pro-bono basis for Scope, alongside other market participants, means the charity can access the capital markets in this innovative way. It is our great pleasure to be able to assist Scope in meeting their financial and ethical goals.''

Northern Trust gets UK pension mandate

Northern Trust has won a £1.5 billion asset servicing mandate for Superannuation Arrangements of University of London (SAUL).

The firm has been reappointed to provide global custody, securities lending, cash and foreign exchange services for SAUL with extended services to include investment risk and analytics as well as record keeping for private equity and infrastructure funds.

"We were looking for a provider who could demonstrate an understanding of SAUL's needs and strategy whilst being able to help us meet our future objectives of reducing administration costs, improving internal governance and maximising investment returns," said Penny Green, chief executive and managing director, SAUL Trustee Company.

The retention and expansion of this mandate follows a series of wins for Northern Trust in the UK pensions sector such as the Lancashire County pension fund and the Dyfed and Lothian pension schemes.

European RE fund managers overhauling administration setups

State Street research shows administration outsourcing trends are likely to continue for European real estate fund managers on the back of complex regulatory compliance regimes and growing globalisation.

"As institutional investor allocations to real estate assets continue to grow, fund managers are increasingly turning to an operating model that prioritises outsourcing and closer collaboration with third party service providers to concentrate on their core investment skills," reports the firm.

Along with a resurgence in real estate investment, institutional investors are looking for more information and seeking a greater understanding of investment strategies, in turn, demanding increased control over their investments, greater flexibility over entry and exit from funds, and more transparency and granularity in reporting. Meanwhile, fund managers are examining their risk management and cost structures and considering significantly expanding the services they are outsourcing to third parties. The areas expected to grow fastest are fund accounting and administration services, performance analytics and look-through reporting services.

Currently 27 per cent of fund accounting and administration services are outsourced while 22 per cent would consider outsourcing in the future. Additionally, more than a third of the respondents are prepared to consider lifting out already established core in-house administrative functions, largely on the back of new regulatory demands.

Simon Burgess, vice president, real estate fund services for State Street's Global Services business in EMEA, said, "The growing demands from investors, ranging from increased flexibility to more rigorous reporting, add to the costs of doing business for fund managers, while more rigorous standards of regulatory compliance also add to complexity and cost. Real estate fund managers are becoming acutely aware of the investment required to maintain cutting-edge technology platforms, to support capabilities such as analytics and reporting and in response they are increasingly turning to service providers to access this expertise."

State Street's European Real Estate Fund Manager Study was conducted in partnership with Preqin and generated some 50 responses from managers across the region.

Skandia picks Citi as sole FA

Skandia Investment Group has announced Citi will be its sole third party administrator in a bid to cut fund administration costs.

The move will bring together the asset manager's Dublin-based and other range of funds onto a common platform. In addition, the company points to UCITS IV requirements as being a driver of the shift to a single third party administrator.

Skandia's COO Marc Bulstrode said, "The move to a single administrator is an important milestone in [Skandia's] development as it enables us to benefit from a single operating platform in serving our business that enables consistency in our risk and control governance regime and enhance our Investor experience with products in multiple jurisdictions."

FSB announces which banks are SIFI

The Financial Stability Board (FSB) has identified an initial group of 29 globally systemic im-

portant financial institutions (G-SIFIs). Among them are Deutsche Bank, State Street, BNY Mellon and Bank of China.

Banks on the list, mainly European and American with a few Asian banks, will be faced with tougher international standards starting in early 2012 to reduce contagion risks associated with failure, including higher capital requirements and greater scrutiny of risk management procedures.

Reuters reported that the recent G20 leaders summit endorsed a core capital requirement surcharge starting at one percent of risk-weighted assets and rising to 2.5 percent for the biggest banks which would be phased in over three years from 2016 - the FSB did not say which capital bracket each of the 29 banks would fall into and continues to fine tune its methods. In addition, the G-SIFI list will be updated every year in November.

Tim Ryan, CEO of the Global Financial Markets Association (GFMA), said, "GFMA shares the FSB's goal of ensuring the safety and soundness of the global financial system, which is critical to investor and consumer confidence.

"GFMA is disappointed that the FSB is moving forward with the capital surcharge framework. We continue to believe that requirements beyond what is required by the Basel III Accord are excessive and could raise the cost of credit available to businesses and consumers, stifling economic growth."

Also on the horizon, the Financial Transaction Tax favoured by influential European politicians is being fought by the financial services industry. US President Obama and Republicans have opposed the tax, while some Democrat lawmakers back the idea.

BNY Mellon and Jefferies partner for clearing

Jefferies has announced that its global execution and clearing services arm, Jefferies Bache, has been selected by BNY Mellon to provide support for its FCM offering.

Patrice Blanc, chairman and CEO of Jefferies Bache, said, "We are excited about this new partnership with BNY Mellon Clearing as it enables us to leverage our commodity expertise, global reach and innovative IT solutions to provide comprehensive clearing services."

Jefferies came under pressure from short sellers after MF Global went bankrupt on 31 October and spurred scrutiny of similar market entanglements with European debt at other financial firms, according to various media reports.

BAML prime brokerage in personnel shake up

Several redundancies have been reported at Bank of America Merrill Lynch's (BAML) prime brokerage division as part of an overall review.

AST has confirmed media reports that among those let go was Dom Addeo, director, Americas head of Prime Brokerage Client Integration. In addition, directors Andrew Neese, Paul Morelli, Bob McDonough and Steve Doran; Tony Rosasco, vice president; and Paul Bacanovic.

A source familiar with the situation said the shake up is not targeted at its prime brokerage division and the firm will continue to ensure that the business is aligned with client needs. No particular regional considerations were made in the "small numbers" of redundancies announced.

BAML has made a number of strategic hires at the prime brokerage division, including Stu Hendel as the global head, Peter Klein as global head of FX prime brokerage and Charlotte Burkeman as co-head of EMEA brokerage, among others.

Send your press releases to benwilkie@assetservicingtimes.com

UK

The UK is a market where the big beasts thrive, and smaller players struggle

BEN WILKIE REPORTS

It's the most advanced market in Europe, and probably the most competitive. But the travails of the UK's financial markets have left parts of the UK's financial services industry battered and bruised. With funds having to work harder to get returns, and less money in the market, the UK's custody providers have had to up their games to gain value and remain established within the market.

"There's no such thing as a custody provider any more," says fund manager Gerry Hooley. "It's not about the safekeeping of assets and if any provider just did that they would be out of business within weeks. Today's custodians need to offer far more than they ever had in the past - it's always about the value added services, which we don't even consider value-added now. They're just standard."

Pretty much every global custodian is represented in the UK, with the largest players - the BNY Mellons, State Streets and Northern Trusts - all having large market share. There's not a lot of room for the minnows. And that's even more true now. While the old adage about custodians doing well in both good financial times and bad still has an element of truth, the new financial environment means that there are far more demands placed upon them.

Clients now have far greater focus on risk management and this is filtering down into the due diligence they place on firms. Although the downfall of Lehman wasn't related to its custodial business, the collapse sent a shockwave through the industry and firms want to ensure their provider is financially secure and has the ability to invest in its systems and infrastructure.

"Custody used to be thought of as something you needed, not something you thought much about," says Hooley. "We just looked at the price. If we could shave a couple of points off the cost, then we'd switch. But we now need to look at the provider itself. We often need to go in there and see how they work. We need to meet the people who are going to be looking after us and we need to get assessments of their processes, technology and management. These are all big global corporations so we know that in 99.99 per cent of cases everything is going to be fine, but we need to be seen to be doing it. Our compliance officers, our investors, our regulators all want us to have evidence that we have done the due diligence as thoroughly as we could have."

So while much of the financial sector has been retreating in the face of the global recession, many custodians have taken the opportunity to invest in their technology and streamline the processes, ensuring that they offer the basic services at the lowest costs and the more valued services of the highest quality.

There's also an increased need to gain the most value from the assets. Many of the UK's large defined benefit company pension schemes have shortfalls running into billions of pounds. These funds - which are generally run for employees of privatised companies or those that are not commercially owned, such as the BBC and the Royal Mail - have long run deficits, but the low growth rates over the past couple of years have put the problems into the headlines. This means that services such as securities lending are increasingly being used to add much-needed revenue.

This is leading to the emergence of prime custody, where the providers work much more closely with their clients. In addition to providing the traditional services associated with the back office, there's more emphasis on research, execution and post-trade services, as well as advice and support on managing the rapidly-changing regulatory environment. This in many circumstances means that the custodians now outsource many of their offerings themselves, with prime brokers reaping some of the dividends.

Roger Braybrooks, head of UK consulting at consultants Investance says: "[This suggests] that broker-dealers of all types should remain open-minded to best practices from across the industry. Newer niche companies should be looking to emulate the strengths of traditional banks, including their powerful brands and scalable processes. Traditional banks, meanwhile, should be looking to build up and demonstrate the capabilities in newer investment strategies and to increase their ability to react quickly to market changes and opportunities."

Bonus culture

But there is one potential spanner in the works. The UK's position as the leading financial services centre in Europe - if not the world - is unlikely to be under threat in the near future, but there is an issue that has some bankers concerned. There are mutterings about a cap on bonuses in the banking sector, and already an added 'banker's tax' on bonuses, which have already led to some firms complaining that they are unable to attract the highest calibre of staff. And while the back office is not known as the highest-earning part of any bank, there are concerns that the higher echelon of management may not want to move to London - or work for a British bank - for financial reasons. "Nothing's happening yet, but we're not talking salaries in the multi-millions here," says one insider. "But someone on a good six-figure salary is going to notice when a big wedge suddenly gets removed. London is not the cheapest place in the world to live or do business anyway, and if they're going to get their incomes hammered too, they're going to want to go to Frankfurt or Paris."

The potential increase in taxation isn't limited to outsource providers. Asset managers are also rethinking their investment strategies and many have said they are looking for offshore routes - the Channel Islands and Switzerland seemingly the most likely options - for managers to base their teams.

"We're not going to see a huge exodus," continues the insider. "The UK will remain a strong centre for investment because that's where the investment opportunities are. There are also legal restrictions on some fund types that prevent them from going offshore. But where funds can choose their domicile, it's unlikely that the UK will be at the top of the list. And custody banks aren't deciding the market; they follow the funds, so I can see more outsource providers increasing their presence there rather than here."

Not everyone is so downbeat. State Street's chief executive Jay Hooley is looking for further acquisitions in Europe after already snapping up the businesses of Bank of Ireland and Intesa Sanpaolo in Italy. With its European headquarters in London, and having recently won the custody and fund administration mandate from the government-run National Employment Savings Trust - a fund expected to be worth £100 billion within 30 years - Hooley says that there is plenty of opportunity.

"Most growth is tied to GDP growth and economic growth," explains Hooley. "We'd like that, but we are also interested in the evolution of asset pools. As asset pools move from government to company sponsored pension plans... there are more things we can do."

Hooley added that although the financial picture at the moment isn't great, State Street is focusing on the long term, where increasing funds will see more opportunities for custodians. Margins here are slightly higher than in the US, making it a "more exciting" opportunity.

Regulation

Final agreement has been reached on the European Union's controversial proposed alternative investment regulations. A week after France and the UK struck a deal of their own on the directive, paving the way for its approval by the EU's 27 member states, those states and the European Parliament have reached a deal that assures its passage by the latter. Approval by both bodies is required for the proposal to become law,

The European Commission's agreement with the parliament contains a few changes from the draft approved by EU governments. But those are relatively minor; the real heavy-lifting on the compromise was accomplished last week by EU finance ministers after an increasingly isolated France agreed to drop its opposition to granting access to all EU markets to foreign hedge funds.

The directive will impose strict new reporting and custody requirements on hedge funds and private equity funds, as well as placing them under the authority of the new European Securities and Markets Authority. Private equity funds will also face new asset-stripping rules.

The controversial passport will not come into effect for EU firms until 2013, and foreign funds will not be eligible until 2015. Until then, the current regime that allows each EU country to decide which funds will have access to their markets remains in place.

The future

So as money starts to return to the markets, the support services are well-placed to offer the highest standards of service. There's no doubt that custody banks did suffer during the downturn, but the new slimmed-down providers have ensured their costs are at a minimum while their technologies are leading edge. It would be extremely difficult for a new entrant to gain much traction in the UK; the market is pretty much sewn up by players who are already offering a good quality service at a relatively low cost. Perhaps this is why there are constant rumours of further consolidation - HSBC recently denied that Northern Trust was a target - as it seems that anyone who wants a piece of the UK will have to buy in. **AST**

Big interview

DST Global Solutions' global head of asset servicing speaks to AST about recent developments in the asset servicing market and how providers need to evolve

BEN WILKIE REPORTS

AST: How has the financial crisis affected the asset servicing industry?

Geoff Harries: One of the major developments we have seen as a result of the financial crisis is tighter control on exposure management - be that to clients, or counterparties - and there's a greater focus generally on understanding requirements for recent directives and regulations at a global and regional level.

As part of the response to regulations focussed at improving investor confidence there is now a broader a more holistic approach to derivatives operations impacting institutions, intermediaries for specific instruments. Historically, this has been seen as a silo within an organisation, but there have been moves on both the operational and regulatory sides to move to vanilla swaps, a retrenchment in terms of risk profiles. So there's been a move to streamline operations, by folding the derivatives part of the business into the main organisation and looking at what operations are actually skilled-up to support.

DST is positioned as the place to aggregate all that information from both an investment accounting and asset servicing perspective. We can consolidate down at the accounting level whilst there may be specialist systems managing the trading and confirmation flow. For example, there are issues with corporate actions on underlying securities and post trade activities such as payment schedule cashflows and resets that have to be managed. The key has been in people understanding what the exposures are and how exposed the positions can be and ensuring that the operation is streamlined to process the post trade events.

So counterparty risk is high on the agenda. If counterparties start to default, it's vital to know what the implications are. The catalyst for the increased information is the demand from fund industry clients who want to know what their exposure is - do they need to make a provision, what would happen in the event of a default and what is their ultimate exposure?

When Lehmans collapsed, it took some insurance companies months to know what their exposure was. Now, clients want to know the next day. And they want to know that there is good governance around the process of ensuring transparency of activities.

AST: What are clients demanding of their asset servicers?

Harries: Asset managers have the principle liability and exposure, and are accountable for fund performance. Asset servicers have a slightly different responsibility, both in the middle and back office need the ability to identify and report out exposures, while the asset manager retains the responsibility for changing strategy and monitoring the market, whilst the asset servicer may provide this as a value added service, the asset manager needs to be comfortable that outsouring this process has adequate controls around it.

Clients are looking to the asset servicing industry to provide increased transparency, as the cost of operations to do this on a single client basis is often prohibitive, and the options are not to trade, or find a cost effective way to process the increased operational responsibilities, asset servicers offer that economy of scale, if they can source and retain the required knowledge from a scarce market resource pool.

We have clients with multiple installations of HiPortfolio across the world. Some clients are sat across regional centres, so to get a consolidated view of their exposure its necessary to pull it together from those hubs.

AST: What are the key challenges that asset servicers are facing?

Harries: You have to put it in context - the response to the crisis may be topical but it's not the only challenge being faced. Asset servicers face severe challenges in meeting the requirements of both regulators and their clients, there are real cost pressures. We are supporting them to meet those challenges through better usage and optimisation, creating more efficiency in their business processes. These asset servicers are really getting squeezed - SLAs are so much tighter, which means the only way to maintain profits is to be more cost effective.

We worked with a lot of clients in looking at what success means in terms of the mandates they can win and how they better service their existing clients. The business reference is to be the best in class, and often that creates a work programme to get higher up the table in the benchmarking space for key service offerings such as Unit Pricing

AST: What is best in class?

Harries: It's about the quality of service provision. If you outsource a business function and have to put in a lot of time and money implementing controls to catch service quality, the benefits of outsourcing are eroded. You waste time, maybe you have to mirror processes, and you end up spending the money you were expecting to save. Timeliness is key; having the information presented late will disadvantage the fund manager who has outsourced. And it's important for the fund manager to have visibility of anything that has changed.

Given that the objective has been to outsource the middle and back office so the fund manager can concentrate on fund management, if the outsourcee still has to carry the burden of back and middle office functions, then that agreement has not succeeded.

Much of this is about business process efficiency and technical innovation to ensure scalability - asset servicers need to invest in their technology and infrastructure. The cost of the investment is spread across a number of clients, which should lead to service innovation and operational efficiency.

AST: How efficient is the asset servicing industry?

Harries: Historically the quickest way to transition was to have the asset management business lifted out and dropped in to the asset servicing world without a change in technology - this means there wasn't time to develop a strategic platform and economies of scale are harder to achieve. The opportunity to implement best practise is lost, harmonised processes across clients are not achieved and the asset servicer effectively gets caught in a business as usual trap servicing the client with a dedicated team trained in specific client oriented operating procedures.

We see our clients executing programmes of optimisation of their system in areas such as corporate actions and derivatives processing aswell as continuous improvement in the area of Unit Pricing. It's not a revolution in any of these businesses, more a programme of constant operational improvement.

AST: Does this mean it's easier for a smaller firm to bring in new, leading edge, technology to compete with the big providers?

Harries: The biggest and best firms are out there defending their positions through investment in their core systems and goals to develop strategic platforms. If they don't, they'll probably still be ok with their existing clients, but they'll find it increasingly difficult to bring in new clients effectively. They are constantly updating their technology to stay ahead. It's an intensely competitive market, in any selection process there will be a fairly predictable shortlist and getting the new business in is very tough.

AST: How are providers looking at their technology? Do they prefer to have their own in-house systems or are they keener to go to specialist firms?

Harries: Outsourcing continues to be a trend for the asset management community, both of operational functional and infrastructure. We're also seeing a number of clients in the asset management community choosing a halfway house. Their technology is hosted in a managed application service whilst they retain running their own middle and back office ,but they don't want to be responsible for the infrastructure.

There are firms who want to keep their operations close to their brand and don't have the philosophy or culture to outsource. And depending on the type of operation you have, it may not be the type that lends itself to outsourcing.

So in terms of offering a hedge fund process or derivatives process, that's something they're likely to be developing in house. Five years ago, asset services companies weren't specialising in hedge fund administration. But now the lines between hedge fund management and investment fund management are blurring, so if you are looking to outsource you will find there is more ability to take it on.

AST: Who is driving this development? Is it fund managers wanting to outsource more, or is it the asset servicers themselves who want to be able to offer more products?

Harries: It's a bit of both. People have SLAs they have to complete. So if you add more business capability to your platform, you have to ensure you can still meet your contractual requirements.

You will also get pressure from your clients - if they want to launch new products, you have to be able to respond. And regulations will have to be responded to as well - if they have implications for the fund industry, they will have implications for the asset servicing side. So the asset servicer will need to amend its provision to support its clients. And of course the final driver is the need of every asset servicer to be as efficient as possible.

AST: Why is there a lack of efficiency in some areas?

Harries: Some if it is historical in terms of mergers and acquisitions in the investment management world - the asset servicing provision may not get streamlined so you end up with a bit of a jigsaw, with one bit of work done by company A, another done by company B.

Then product lines are often segmented, so you may have mutual funds and OEICS run separately from life and pensions funds, possibly with derivatives going to a boutique provider. It's common to find segmentation on a geographical basis as well, so you have this complex arrangement in terms of location and asset class. And this makes it much more difficult to restructure the asset servicing position.

The way many firms operate tends to be the practical way, rather than the most efficient way - not everyone has the luxury of being able to restructure to become the most effective.

AST: What do you see taking place in the future?

Harries: We see a lot of component outsourcing; firms don't want to lift out everything but prefer to move over specific services, segmenting middle office functionalities or derivatives servicing for example.

I think we will get used to people who are able to support multiple outsourcing relationships, so the fund manager is not reliant on one single asset servicer. This will happen over the next three to five years, but it will be dependent on the asset manager being able to put the jigsaw together and manage the information from multiple providers. Technology innovation will drive that, as will competition from the asset servicing providers to win parts of mandates rather than the complete book of business. **AST**

Geoff Harries
Global head of asset servicing
DST Global Solutions

Wealth funds

Brian Leddy, managing director at BNY Mellon Asset Servicing, discusses the SWF space.

ANNA REITMAN REPORTS

A recent survey by BNY Mellon found that companies are focusing more on sovereign wealth funds (SWFs) and emerging markets investors. Some 59 per cent of surveyed firms meet with SWFs, of which 40 per cent are targeting investors in emerging markets.

By a wide margin, the most frequently engaged wealth funds are based in Singapore, Norway and Abu Dhabi. Western European companies are the most likely to meet, at 69 per cent or consider meeting, at 24 per cent, with SWFs, while North American firms are least likely to engage sovereign wealth funds, at 42 per cent.

The survey was conducted through July and August 2011 and features input from 650 companies across 53 countries. Respondents cover the range of market cap and sectors, including financials, industrials, consumer, technology and healthcare.

Essentially, the numbers are pointing to a noticeable shift in investors relations strategies to expand outreach to SWFs, and that means that asset servicing providers will increasingly need to accommodate the unique regulatory and client management characteristics of these funds.

AST: Can you tell me about BNY Mellon's role and which regions you are seeing the most asset servicing business from?

Brian Leddy: BNY Mellon delivers a full range of products to a number of SWFs. Recognising their specific requirements, we have instituted a Sovereign Advisory Board, under the chairmanship of Jai Arya, to ensure that we identify and meet the changing needs of this constituency. We are engaged with sovereign clients from all continents and support their global service requirements. While the Middle Eastern SWFs are perhaps the most renowned, thanks to some high profile investments in the UK, we have seen growth in this sector on a global basis. Central and Eastern Europe is a growth market, but equally we see continuing opportunities in Asia Pacific and South America.

AST: What are the unique characteristics and fund administration requirements for the different regions?

Leddy: It is not necessarily the case that characteristics and requirements of these funds is shared on a regional basis. SWFs are in general instituted as a result of national regulation and each is unique in their mandate and aims. The fundamental issue is to understand their reporting requirements in terms of what needs to be delivered to their Board of Directors or Governors and ensure that all of the necessary data to support those requirements is delivered promptly and accurately.

AST: Which regulations are you looking out for most? Are global regulations or regional regulations the more prevalent in terms of the time you spend in monitoring developments?

Leddy: The increasingly dynamic nature of both the global and regional regulatory environment requires us to monitor closely the impact of new regulations on our services and on our clients. It is natural that many SWFs treasure confidentiality in their dealings with both service providers and with the markets. Legal disclosure requirements compel custodians to discuss the implications of these requirements with our client base and ensure that any information that leaves our organisation is authorised appropriately.

AST: In general, what are the challenges and opportunities for working with SWFs?

Leddy: An important point to bear in mind about Sovereign Wealth or Reserve Funds is that, unlike much of the more traditional custody business, they do not have a defined set of liabilities that their assets need to be managed towards. That being said, there may be a call upon the assets of the fund at any time to meet specific national priorities, such as infrastructure development or support of broader fiscal policies. As a service provider, we need to be in a position to support any requirements and respond to significant inflows and outflows of capital on an ad hoc basis.

AST: In terms of future trends, do you see any shifts in the kind of services you expect to be providing?

Leddy: In the wake of the global financial crisis, the single most important issue for investors - indeed, for our entire industry - is risk. For SWFs, who often control very large pools of assets, exposure to asset servicing providers has become a key aspect of their view of overall risk. Some funds are developing approaches whereby they are examining the factors that drive custodian risk - credit ratings, asset values, balance sheet, contractual protections, etc. - and determining whether they are adequately protected. Others are taking a "look through" approach and examining the institutions where their assets ultimately reside – subcustodians; CSDs - to determine whether they are comfortable with their exposure. Dissemination of information which supports these efforts and delivery of transparent monitoring of market entities will soon be a vital part of custody reporting. AST

Brian Leddy
Managing director
BNY Mellon Asset Servicing

Peter Peschek

Deutsche Bank AG

Director, head of direct securities services

Lilla Juranyi

ING Commercial Banking Securities Services

Global head investor services

Daniel Kormoczi

KBC Securities

Senior Relationship Manager

Ulf Norén

SEB

Global head of sub-custody

CEE panel discussion

Asset Servicing Times speaks to some of the leading experts in the Central and Eastern European region

AST: How badly hit was Central and Eastern Europe by the downturn?

Peter Peschek: The situation in Eastern Europe is still sensitive. On the one hand we see peaks in non-performing loans (NPLs), which have reached 40 per cent in Ukraine for example, whilst on the other hand credit appetite of liquidity providers is decreasing. Morgan Stanley is estimating that European banks will have to reduce their loans by €25 billion within the next 18 months, which leaves the risk of a credit crunch in the region.

But there are also indications that Eastern Europe may recover faster than Western Europe and the Eurozone. Economic growth is estimated at 2.6 per cent compared with – 0.9 per cent in the eurozone. Also the average public debt is at 50 per cent, which is 10 per cent below Maastricht criteria, compared to approximately 85 per cent in the Eurozone.

Ulf Noren: The downturn following the 2008 events hit most of our five Eastern European markets fairly hard. There has been a surprisingly strong & speedy recovery in the three Baltic States and it is, depending naturally on European development, expected to continue. GDP Growth going back a quarter was estimated to be in excess of four per cent but there is of course no way of disregarding the problems shared with most of Europe with a comparatively high youth unemployment situation, increased social unrest and a surrounding world with deep systematic problems and a nearly empty toolbox. Russia came out of the downturn considerably better while Ukraine still struggles.

Lilla Juranyi: Investors' trust in general is down. Investors look for safe havens but the big question is what is the level of safety in these turbulent times that investors will accept. We live in Europe so the euro crisis is a huge problem. But other parts of the world are not so much different. The US has been downgraded due to its huge debt. In CEE some governments do its best to support its capital market: Poland is a good example among others with the recently introduced nominee system. In some other countries the increased political risk keeps away the investors who had interest earlier. Ukraine and Hungary unfortunately do not attract new investment. It is clear why CEE is also impacted by the general downturn: this region is an integral part of Europe but the impact is different in this fragmented "region".

> Peschek: Eastern Europe may recover faster than Western Europe and the Eurozone

Daniel Kormoczi: The crisis starting in 2008 and the subsequent downturn of the global economy had a severe hit on the whole Central and Eastern European region and the capital market and the custody business were no exception. It is important to note the scale of decline has been uneven, where certain countries suffer more than others. In Poland and Turkey economic recovery gathered more momentum than in Hungary or the Balkan region where deep economic constraints have so far limited the willingness of foreign investors to re-commit to these markets.

AST: How developed the markets have become? Are some markets considerably more developed than others?

Juranyi: Central Eastern Europe is named as a region but it is rather a geographical region only within Europe. Under the old "socialist" regime it was probably more homogenous than it is today. CEE is a group of fragmented countries and we can see few attempts to become a region. Hungary is a sad example as this country started from the best position when "socialism" ended and today it is one of the least attractive markets. Poland performed extremely well in the last period, even during the crisis and not only in CEE terms, but within the European Union in general. Poland has a clear vision and actions as to how to support investments in their market both for the internal and external investors and slowly but surely Poland marches to a leading position in CEE. Romania is a good example with the CSD's ambition to be among the first entrants to T2S. They simply decided that they did not want to miss the train and if they are in the first wave it might put Romania in a better position than other countries without a real vision about the potential impacts of the European harmonisation.

Noren: Ukraine is very much a frontier market in its very early phase of development

Kormoczi: In terms of volumes and liquidity a few countries with large economies (Russia, Poland) are up to Western European standards while the rest of the region is challenged in terms of scale, investors are trading with few lines of securities on some markets.

The level of market infrastructure in the region showed major developments in the past years by adapting trading platforms of major stock exchanges, by creating CCPs and improving the legal regulation of the markets. Within the region one can see significant differences between the stage of development. While Hungary and the Baltic states are showing close to Western European standards, at the same time some other countries (eg, former Yugoslavian countries) are less advanced.

Peschek: The development in many countries in the region is driven by the fact that they are part of the European Union and therefore need to fulfill upcoming regulations like EMIR and the CSD regulations. This leads to initiatives like the implementation of CCPs in Poland and Czech Republic or the omnibus account concept in Poland. Also T2S becomes more important, like in Hungary where a T2S working group has been initiated recently.

Russia takes its own route and maybe Ukraine is trying to follow. And then there are the rest of CEE markets with low capitalisation and liquidity and therefore not having enough power to develop by themselves. In the long run these small markets will need to leverage existing initiatives like the ones offered by the CEE Stock Exchange Group, for example.

Noren: From my perspective of servicing five markets, I need to divide them a bit. All aspects except for one in Estonia, Latvia and Lithuania displays very modern markets and in many cases beating some Western European markets in sophistication level. Unfortunately, all three markets are very small and liquidity is limited. Ukraine is very much a frontier market in its very early phase of development and although we do see some progress, especially at exchange level, much remains to be done. Finally, Russia is under strong development without yet having reached levels where cross border investors will be comfortable. My personal belief is though that Russia will get there and that Moscow will become an even more important financial centre.

AST: We often hear of a particular country promoting itself as 'the gateway to CEE'. Do you feel there is a country that is making strong steps in that direction?

Noren: It depends again from which perspective: from an investor perspective and measuring the success rate of some Swedish/Finnish asset managers, you might even argue that Stockholm or Helsinki is that gateway. In this type of discussion, though, there are always discussions ending with either Vienna or Warsaw and in my book, Vienna's position looks better, even if Warsaw has been successful in attracting liquidity. There is though a tendency to neglect a super power and my experience is that such negligence should never happen. In 2020 my prediction is that the gateway to CEE is located in the heart of the CEE and the name of the gateway is Moscow.

Peschek: There are two major centres attempting to claim this title in the region. We have Poland with the Warsaw Stock Exchange benefitting from a very strong home market plus growing ties to Ukraine. Their strategy to become a regional player consists of attracting companies from abroad, which ends up in competition with their home markets.

On the other side we have Austria with the CEE Stock Exchange Group (CEESEG) trying to integrate further markets like Slovenia, Czech Republic and Hungary with XETRA on the trading side and combined CCP for all markets. Time will tell which strategy will be more successful. CEESEG has already had to accept that their strategy is not working in the Slovenian market, which is not willing to change. Therefore CEESEG also goes the route of motivating Slovenian companies to list on VSE.

Both Warsaw and Vienna have historical advantages to pursue gateway status whereas Poland is large enough to be self sufficient.

Juranyi: A few years ago there were some countries nominating themselves for this position. I remember the times when the Wiener Borse, the Budapest Stock Exchange and the Warsaw Stock Exchange were competing for this position. For today in my opinion Warsaw is the only country which can show real results in several ways: Warsaw is attractive not only for the investors but it is successful in attracting several issuers from other CEE countries as well. The number of IPOs in Poland is impressive and part of these IPOs comes from other countries. For me it is a clear sign of what nominates them for the potential leading position in CEE. For some reasons Austria lost the CEE Gateway status which they had in the 80s-90s. Wiener Borse's acquisition of three other CEE stock exchanges could not prove that ownership itself would easily lead to an integration of the capital market of Austria, Czech Republic, Hungary and Slovenia.

Kormoczi: As of today I could not name one country in the region playing a leading role.

Poland has a very strong and vibrant capital market while the Vienna Stock Exchange has majority ownership in a number of exchanges in the region and we often hear of Russian ambitions to play a leading role, however there is no clear indication where we will end up. It seems presently the countries in the region are more busy to sort out their individual problems caused by the economic slowdown.

AST: Are there any major differences with the rest of Europe?

Kormoczi: Yes and no. The economies of the CEE region are a lot more fragile and volatile than the rest of Europe and the liquidity and wealth in these markets is still below Western European standards.

On another note in the past 20 years the CEE the region has managed to align its capital market in many aspects to the western standards such as legal regulation and adapting market infrastructure.

Peschek: There is no answer in general as the region is quite heterogeneous. Whilst countries in the Western part of the region have adapted themselves towards Western Europe, there are countries like Ukraine which still seem to be highly bureaucratic mixed with a high rate of corruption. Not to mention Belarus, which remains a dictatorship surrounded by several countries being part of the European Union.

> Kormoczi: The economies of the CEE region are a lot more fragile and volatile than the rest of Europe

Noren: The main differences are more than the main common denominators. There is a certain lack of maturity in some of the crucially important markets and potentially large markets and that combined with a higher degree of political uncertainty, lower cross border shareholder protection levels and higher imbedded risks makes the CEE markets different. However, I would like to underscore the importance of making a country by country analysis of this. Markets like the Baltics, Hungary, Czech Republic and to some extent Poland are much more similiar to Old Europe.

Juranyi: I would not categorise if the difference is major or not but definitely there are several differences. It depends which countries you want to compare. I would reverse the question: Are the other parts of Europe considered as an integrated 'rest of Europe'? Let's take a few examples: Russia is a huge stand-alone market with big potential. There are significant differences in the market infrastructure, the lack of a CSD, the lack of good understanding of some requirements of the foreign investors. The special status of the trusts and other unrecognised legal entities is still a problem. Not to mention the difficulties of the local processing in Russian language both in the payment and securities settlement. An example where I see smaller differences: interpretation of the nominee system: The nominee concept in the traditional way is

more often questioned in certain cases on the matured markets as well since the new regulations require more and more clarity and control on the beneficial ownership status.

AST: How big an issue are the indemnity regulations in some countries? Are there other regulatory issues that are causing concern?

Peschek: Reflecting on the regulatory changes that are currently reshaping our industry, we cannot rely on regulation alone to improve standards of investor protection and systemic integrity across the banking sector. On the contrary, a raft of new banking regulations is likely to make the custody business more expensive and will leave the region subject to further challenges from emerging market banking competitors that, in turn, may be subject to lighter regulation and lower operational costs. The response from financial authorities to the crisis has been to install new layers of banking regulation – but in some cases these are simply imposing new compliance and operating costs on the industry without making it substantially safer.

Noren: Our regulatory concerns are very high seen as a whole. In Russia and Ukraine we are looking for more and especially adopted regulations while the Baltics are subject to the same regulatory worries we have for the rest of the EU/EEA area. Just extra so in the Baltics as the markets are small and I fear an implementation bottleneck and translation issues when adopting locally. For Russia, we see many lights at the horizon and the creation of a superregulator is very, very positive.

Juranyi: Indemnification is part of the growing regulatory requirements. Clarification is needed who is indemnifying who and which party stands at the end of the chain of indemnification. In simple words: who will pay the bill at the end? In addition to the question who shall take the responsibility to indemnify the investors the discussions should include the costs for increased responsibilities.

I also think that the investors and the investment managers themselves have responsibilities when they make decisions about certain markets and certain types of investments. So the picture is very complex and it will take long discussions with the involvement of all the relevant parties to get further with this issue.

Kormoczi: Indemnity regulations became a major focus of custody clients investing in the CEE region. It provides the level of comfort to the institutional clients investing and holding assets in Central and Eastern Europe. Segregated account markets in the region can result in complicated settlement schemes, which are time consuming for the investors.

AST: What do you feel the region's prospects hold in the future?

Noren: It is very hard to be overly positive the way the world looks out there. Though to make a comparison of our CEE markets with many other investment areas globally, we have a comparatively positive view. The markets are still growth cases and if successful in establishing stable frameworks also for cross border investors, take out some of the most obvious obstacles and decrease risk, we believe the markets will be a good place to be. If the world stands by then.

Peschek: Developments will continue at different speeds between countries being either part of European Union or even eurozone versus countries outside of the EU (whereby it is expected that Croatia will join EU in near future).

Overall consolidation will continue and small capital markets will either disappear or join a bigger group, most likely either CEESEG or Warsaw Stock Exchange with NYSE Euronext in the background.

Juranyi: CEE countries should make further steps to improve their markets to make them more attractive

Juranyi: Analysts and various researches confirm that Central and Eastern Europe has much better future prospects than the rest of Europe. However, it will not come automatically and the CEE countries should make further steps to improve their markets to make them more attractive. The level of private and public debt is low and increase is expected. Improvement of the market infrastructure is also needed and it is where the local sub-custodian as ING plays an important role through its market experts at the local and the regional level. The benefit of such activities has already materialised in some developments as referred above but we shall not stop continuing our efforts for further improvement.

Kormoczi: Although it may take years, once the economic sentiment becomes stable, the capital markets of the region will see increase of assets under custody and settlement volumes. KBC Securities being a committed player in the region continues to focus on the custody business in the Czech Republic, Slovakia, Hungary and Poland serving the clients directly in each location or providing a hub solution from Brussels. **AST**

2012

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16th Global Securities Financing Summit

Location: Luxembourg
Date: 18-19 January 2012
www.clearstream.com

As previous years, we will organise the Eurex Repo Bar as a prelude of the summit on Tuesday 17 January 2012 and the selected venue for this year is the Chateau de Septfontaines (Villeroy & Boch).

The 18th Annual International Beneficial Owners' Securities Lending Summit

Location: Phoenix, AZ
Date: 29-31 January 2012
www.imn.org

The 18th Annual International Beneficial Owners' Securities Lending Summit details to follow

ITAS 2012 International Transfer Agency Summit

Location: Luxembourg
Date: 29 February - 1 March 2012
www.informaglobalevents.com

Last year, the 10th Anniversary of ITAS saw 250+ attendees at the event. The positive feedback led all involved to declare it a resounding success in terms of catching up with business partners, listening to and debating with some of the leading figures in this industry, and having great fun at the evening functions. Already there is great anticipation in the market for coming along to ITAS 2012.

9th Annual PASLA RMA Conference on Asian Securities Lending

Location: Taiwan
Date: 6-8 March 2012
www.informaglobalevents.com

Keynote Speaker - Robert A. Jaeger, Senior Investment Strategist, BNY Mellon Asset Management, Author of "All About Hedge Funds: The Easy Way to Get Started"

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Training and Education

Date	Location	Course	Provider
21-23 Nov 2011	**London**	**Financial Markets Foundation Course (FMFC)** The Financial Markets Foundation Course (FMFC) is an introductory course for anyone entering into a career in the financial markets.	**ICMA**
8 Dec 2011	**Brussels**	**Operational Risk Fundamentals** Operational Risk is a key discipline for everyone in the financial services industry. Successfully managing and controlling operational risk is a necessity for effective management of any financial services firm. This course will give participants a very practical understanding of the issues in operational risk faced by financial institutions.	**ICMA**
1-2 Mar 2012	**Hong Kong**	**Foreign Account Tax Compliance Act (FATCA)** No piece of legislation has ever sparked more controversy for financial institutions around the globe than FATCA – The United States Foreign Account Tax Compliance Act, passed in 2010 as part of the HIRE Act. Every financial institution located outside the United States needs to be aware of the implications of FATCA and what they are required to do to comply with this legislation.	**Marcus Evans**
25-31 Mar 2012	**Singapore**	**Operations Certificate Programme (OCP)** The International Capital Market Association (ICMA) Executive Education's OCP Certificate is an intermediate and examined qualification that places strong emphasis on developing practical skills based on a thorough understanding of the main operational processes for cash markets securities (equities, bonds and hybrid securities). It is very valuable for persons who manage operational departments and need to have a broad and in-depth understanding of the operations area as a whole.	**ICMA**
28-29 Jun 2012	**Hong Kong**	**Repos and Securities Lending** Repos and Securities Lending provides a comprehensive and practical programme explaining the legal, regulatory and documentary issues involved in repo and securities lending transactions.	**Euromoney Training**
6-8 Aug 2012	**New York**	**Repos and Securities Lending** This course will offer a start to finish discussion of the key terms of the Global Master Repurchase Agreement and the Global Master Securities Lending Agreement, as well as the agreements used in the U.S. domestic market. Attendees will be taken through the operative terms of the agreements, events of default, and the termination and close-out provisions. In addition, the role of custodians and agents will be explored, including a detailed discussion of the tri-party agreements that are used to facilitate these discussions. Other key concerns will also be discussed such as the role of the Cross Product Master Agreement, legal opinions, tax provisions and sovereign immunity.	**Euromoney Training**


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Industry appointments

Mark Carney, governor of the Bank of Canada, has been appointed chairman of the Financial Stability Board (FSB). He succeeds Mario Draghi after the former governor of the Bank of Italy took over as president of the ECB.

In addition, **Philipp Hildebrand** was appointed vice-chairman at the FSB and is currently chairman of the governing board of the Swiss National Bank.

Citi Global Transaction Services has appointed **Munir Nanji** to take over the combined role of regional head for Bank Services Group (BSG) in Asia Pacific and Public Sector.

In his new role based in Hong Kong, Nanji will build partnerships with GTS' new and existing public sector clients including central banks, sovereign wealth funds and pensions.

Citi has also named **Sanjeev Jain** as its new head of Global Transaction Services (GTS) for Indonesia. In this new role based in Jakarta, Jain will be responsible for continuing growth in Indonesia and leveraging his experience to create innovative new services and solutions for Citi's customers.Jain was previously GTS's regional head of Public Sector, Asia Pacific.

DST Global Solutions has announced the appointment of **Julian Webb** as global head of data management and analytics. In his new role based in London, he will provide strategic direction and leadership for the division, with a focus on accelerating the market uptake of the company's product, Anova.

The California Public Employees' Retirement System (CalPERS) has announced the appointment of **Carol Baldwin** as senior portfolio manager for Investment Compliance and Operation Risk. In this role she will be responsible for developing, implementing and monitoring investment management compliance and operational risk programs and policies.

The International Swaps and Derivatives Association (ISDA) has announced the appointment of **Robert Pickel** as CEO effective in the beginning of 2012. He returns to the post after serving as ISDA's executive vice chairman for the past two years.

Conrad Voldstad, ISDA CEO since November 2009, will continue to work with the Association as a special advisor at the request of the board.

State Street has announced the appointment of **Finbarr Downing** as head of compliance for the firm's international Ireland business. In this role, he will oversee the company's existing compliance team in Kilkenny and the Channel Islands.

Downing joins State Street from Northern Trust where he served as head of fund and regulatory compliance. He has also held senior management positions at major banks and holds specialist qualifications in compliance, fraud prevention and anti-money laundering.

The London Metal Exchange (LME) has announced that **Trevor Spanner** has started in his role as managing director of post trade services, a further step towards self-clearing for the commodities exchange.

Spanner previously worked as the CEO of European Central Counterparty (EuroCCP) and will take charge of the advanced stage self-clearing project at the LME.

Phoenix Fund Services has announced the appointment of **Tony Reed** as managing director, responsible for client relationships as well as compliance and risk management for the fund administrator's UK arm. He will also be joining Phoenix's executive management team.

Reed has previously worked at Insight Investment, JP Morgan, Halifax Bank of Scotland and the Pearl Group.

The Australian Custodial Services Association (ACSA) has appointed **Pierre Jond**, managing director of BNP Paribas Securities Services in Australia and New Zealand, as its new chair. He succeeds Paul Cutts, who has been named Northern Trust's country head for the Channel Islands, based in Guernsey.

Jond will be joined by State Street Chief Operating Officer **Paul Khoury**, who has been appointed ACSA deputy chair, and RBC Dexia's **Gordon Little**, who will take on the role of treasurer.

Multifonds has announced the addition of **Chee Seng Lok** as business development manager and **Andy Chua** as regional product manager to its Asian division.

Based in Singapore, they will be working together with Sandra Puah who heads the Multifonds professional services team in Asia. Lok and Chua's focus will be to further expand Multifonds' business in Asia with its scalable, multi-jurisdictional, single platform.

Lok joins from BNP Paribas Securities Services where he was a director and product head for Asian fund services. Chua was previously the global operation head for fund services at Standard Chartered Bank where he oversaw the roll out of three new platforms. **AST**

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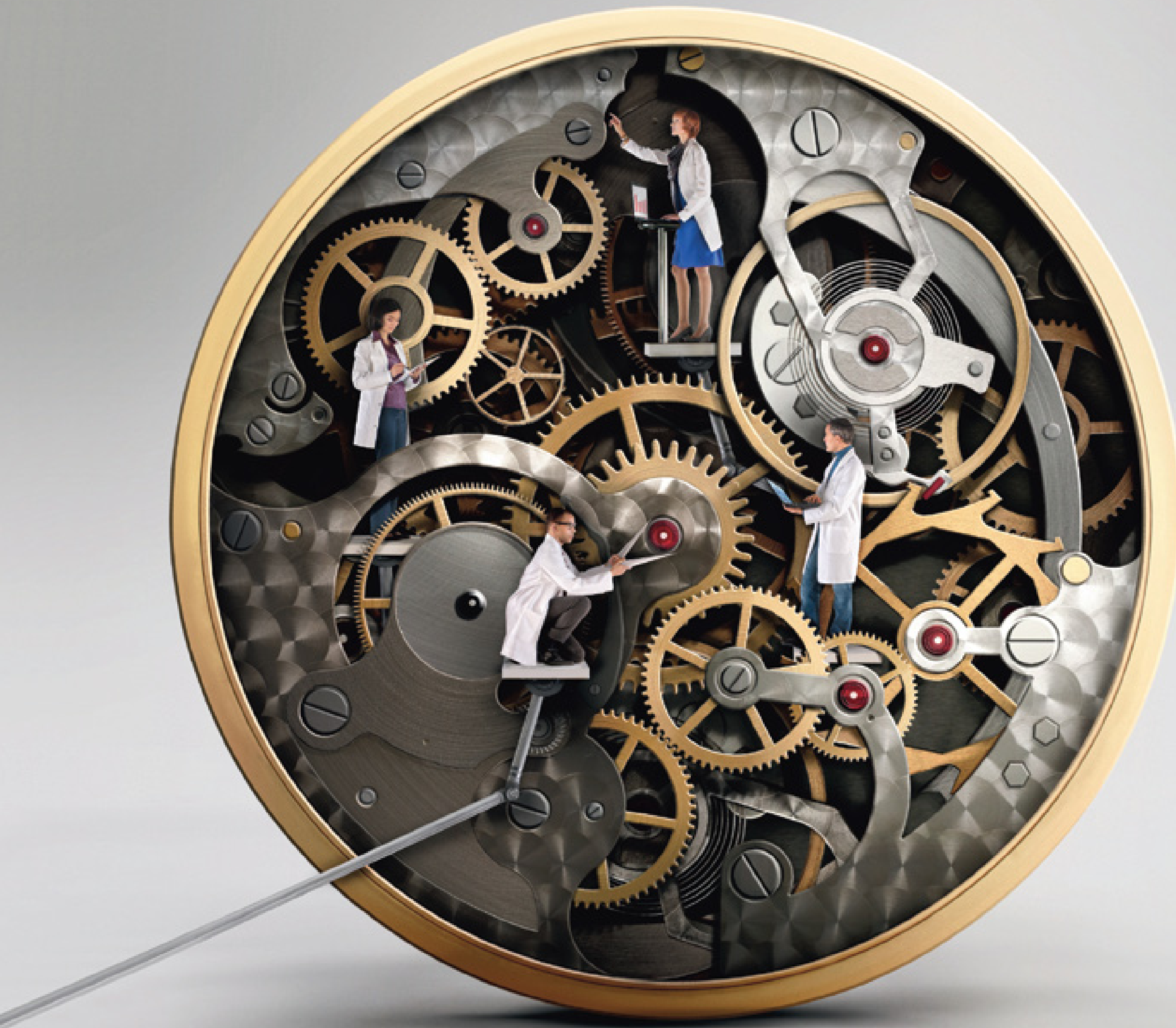

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