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Frontier markets move to the front and centre

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With investors increasingly recognising Africa's growth potential, interest in the region's frontier markets is back. Although Africa's growth suffered during the global economic crisis, it still remained positive, returning to pre-crisis levels this year.

The pace of change in Africa, notes Standard Chartered, is rapid and the next decade promises transformation not just in the region's economies, but in the scale and depth of its financial markets too.

At the bank's frontier markets seminar, held on 1 December in London, Chris Wooldridge, regional head, Investor & Intermediaries for Africa, gave an overview of the situation - 31 countries now have capital markets and 26 have central securities depositories. Still, Wooldridge notes that in some markets there is not significant liquidity on the equities side for technological reasons as well as restrictions on STP, as linkages to CSDs are through brokers, keeping costs relatively high.

But the bank continues to push the pace of change in the African market with the continuing roll out of the corporate actions phase of its STORM platform. India was the latest to go live in October this year and the Middle East and Africa are anticipated to come on-line in 2012. Through an agreement withStrate, South Africa is anticipated next.

The second STORM roll-out phase will continue the shift to automation, STP and near real-time reporting with the first tranche to provide settlement, clearing and reporting anticipated for the first half next year. Pilots are expected in Singapore, Hong Kong, the Philippines and Vietnam.

The platform, notes Jyi Chen Chueh, product specialist, Asset Servicing at Standard Chartered, allows the team to provide much more than spreadsheets for customers.

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Broadridge integrates with Canada's CSD

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This streamlined approach offers banks the ability to identify exceptions earlier in the day, reducing trade fail risks and boosting operational efficiency. It is the only end-to-end clearance and settlement solution from trade capture to clearance and settlement offered in Canada for broker-dealers and banks.

ClearancePro provides extensive real-time exception management and data mining tools for complex clearance and settlement of fixed income trades leaving managers less reliant on the Clearing and Depository Services (CDS) terminal and improving on-demand front and middle office reporting capabilities.

"ClearancePro's connection with CDS enables Broadridge to deliver to clients a greater range of real-time, straight-through-processing functionality," said Mike Hopkins, president, Securities Processing Solutions Fixed Income at Broadridge. "Broadridge's expanded fixed income processing platform can help banks and brokerage firms more effectively manage risk while they focus on expanding their business."

J.P. Morgan gets Middle East PE fund mandate

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The GC Equity Partners Fund II was the first regional PE fund to derive the majority of its investors from international markets including the US, Europe and Asia. Investors in the fund include some of the largest and best known global and regional sovereign wealth funds, pension funds, endowments, banks and insurance companies.

Timothy Peters, general manager of J.P. Morgan's Abu Dhabi Office and head of WSS MENA said, "The challenges around private equity administration are set to increase in complexity driven by new regulation facing the industry. J.P. Morgan is uniquely positioned to help investors meet these complexities and focus on maximising returns for investors."

Abacus Group's platform adds SunGard connectivity and data feed

SunGard Global Network (SGN) Securities and MarketMap are providing global connectivity and market data through AbacusFLEX.

MarketMap's integration with the platform will provide hedge funds and investment managers with a market data feed offering asset coverage while SGN Securities integration will give firms the option of bundling financial market and global connectivity through one vendor. As a result, customers gain access to securities and exchange market data with integrated FIX connectivity, in one cloud-based solution.

Raj Mahajan, president of SunGard's Global Trading business, said, "With MarketMap, Abacus customers have a new compelling alternative for their data needs – a choice that provides access to global, high quality and cost-effective data as well as trading links to more than 500+ broker-dealers around the world through the SunGard Global Network, helping to add value to firms' trading operations and business growth."

The Abacus platform streamlines the trade lifecycle from execution to post-trade reconciliation, including, electronic order routing, broker allocations, confirm/affirm and custodian bank notifications.

Chris Grandi, founder and president of Abacus Group LLC, said, "Hedge funds and investment managers want flexible solutions to grow their business without accruing additional data fees or coverage limitations. SunGard Global Network and MarketMap provide a cost-effective, comprehensive and integrated solution that helps meet firms' data requirements with added FIX connectivity in one offering."

NAB nabs RAC Insurance mandate

National Australia Bank (NAB) Asset Servicing has been appointed by RAC Insurance to provide custodial services, according to SuperReview.

NAB Asset Servicing general manager for sales, relationships and financial market services Brian Keogh said the NAB's ability to transition RAC's assets in a short timeframe was a major factor in the custody win, along with NAB's track record in insurance.

RAC Insurance CFO, Mary Stephens, said the appointment followed a competitive three-month tender process which involved detailed discussions with NAB and other custodians.

The appointment follows last weeks' announcement of NAB Asset Servicing's strategic alliance with MMc Limited.

Broadridge provides STP for Chi-X Australia equity traders

Broadridge Financial Solutions has announced that its new broker trading connectivity tool to process trades executed on the recently launched Chi-X alternative exchange in Australia is available to users of its SUMMIT stockbroking and accounting solution.

Equity brokers using SUMMIT can connect to Chi-X on a fast-track, seamless basis, allowing them to benefit from high levels of straight-through processing from trade execution to settlement and accounting as well as receive real-time trade information.

Fraser Moodie, head of operations, Securities Processing Solutions, Australia at Broadridge, said, "This is another great example of how we take a responsible, client-centric approach to market change. By working closely with our clients, we were able to deliver a timely service that was operational from the Chi-X exchange's launch date, allowing them to be well-positioned for Australia's new alternative trading venue."

The connectivity solution can also be used to process trades executed via any other exchange that supports the FIX financial messaging protocol. Connectivity to the new Australian Securities Exchange's (ASX) PureMatch service is also supported. The Broadridge connectivity solutions are accredited by the ASX and Chi-X for their new respective markets.

Akhter Khan, head of Asia Pacific, Securities Processing Solutions, International at Broadridge, said, "This is the latest in a succession of new initiatives that we have brought to market in Asia Pacific over the past few years. Other recent examples include the roll-out of new trade settlement connectivity for the markets in Singapore and India, a Bank of Japan interface for the BOJ-Net service, and a new cross-border solution for international firms seeking to improve the efficiency of their process flows and reduce costs when processing for their overseas affiliates."

Interdealer broker picks Deutsche Bank as SA

Deutsche Bank has announced its appointment by Tradition London Clearing, the clearing arm of interdealer broker Compagnie Financiere Tradition, as settlement agent for Euronext Markets.

Satvinder Singh, global head of Trust & Securities Services (TSS), Deutsche Bank said, "I am very pleased about this new mandate as it brings us additional market share and visibility in the eurozone and strongly underlines our ability to cater for the demanding needs of a big broker-dealer client. I believe that this co-operation will further strengthen our partnership with Tradition."

The mandate increases Deutsche Bank's presence in Western Europe for Direct Securities Services, part of TSS which provides trustee, agent, depositary and other related services as well as fund and hedge fund administration.

ECB offers "early bird package" for T2S

CSDs deciding to sign the T2S Framework Agreement for adoption in April 2012 will benefit from reduced prices.

"The Programme Office is very confident that the CSDs and their markets have understood the benefits of the project and that they need to participate," the ECB wrote in a recent project update.

"Most clients know exactly what they want from ATC, and they know they are getting it, gift-wrapped"

Global Custodian Survey Commentary, 2011

"The main strengths of ATC lie in **accessibility**, experience, ability to understand technical issues related to fund administration, common sense approach to issues, **patience with explaining complex issues** and ability to listen to explanations related to complex issues, working in a team environment, **outstanding judgment**". Client, Global Custodian Survey 2011.

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The financial incentive package for CSDs signing on by April 2012 for the first wave of adoption includes a waiver of the one-off entry fee, no fees for the first three months following the go-live date, from July to September 2015, and after that month, there will be a fee reduction by one-third for the whole price list until the end of the last regular migration wave.

The ECB notes that this early bird package is justified because adopters will encounter "teething problems" and will likely need to support the testing activities of CSDs that migrate later.

If a CSD signs by June 2012, it will still benefit from the one-off waiver but will not receive other incentives.

BNY Mellon to snap up Penson's Australian ops

Penson Worldwide has announced its intention to sell Australian subsidiary, PFSA, to BNY Mellon for some $32 million. PFSA provides clearing services in Australia, holds an Australian Financial Services License and is a market, ACH Clearing and ASTC settlement participant of the Australian Stock Exchange and a trading participant of Chi-X Australia.

The agreement is for a share purchase transaction from which Penson expects to realise a gain of about $14 million when the deal closes in the fourth quarter this year.

"We are pleased to have reached agreement with a firm committed to continue to provide Penson Financial Services Australia's (PFSA) correspondents with the high level of service to which they have been accustomed, while also continuing to provide access to Australian markets for Penson correspondents," said Philip Pendergraft, CEO of Penson.

The sale of PFSA continues Penson's implementation of the series of initiatives which it announced this August and follows other concluded business including the completion of the combination of Penson's US broker-dealer and US futures businesses into a single entity and the expansion of the scope of Penson's Master Services Agreement with Broadridge, which stipulates that the schedule with Penson's UK arm can be terminated.

MF Global missing funds "probably just gone"

Missing client funds from bankrupt FCM, MF Global, now estimated at $1.2 billion, might not be recovered if customer funds were not backed by collateral.

A lawyer briefed on the progress of the investigation into MF Global's dealings being undertaken by various government regulators told CNBC that investigators now believe the bankrupt FCM used customer money to make trades, such as buying sovereign debt securities.

Earlier, there was hope the money would turn out to be held as collateral in an account with one of MF Global's creditors, such as J.P. Morgan, but that does not now seem to be the case.

MF Global used customer funds in a variety of ways, the source told CNBC. In the futures business, MF Global was allowed to use "idle" cash in customer accounts to make investments on its own behalf. It would buy bonds and keep the coupon on them. The firm would also "borrow" from its clients accounts, posting collateral such as US Treasuries.

But as the New York Times has reported, the firm stopped backing the loans from customer accounts sometime in October. Basically, they just took the cash out. If this is right, it is probably impossible to recover the missing funds, writes CNBC.

The hole in MF Global's customer accounts is now estimated at $1.2 billion by the bankruptcy trustee for the FCM's US brokerage, according to the Financial Times. That is equivalent to almost a quarter of the $5.45 billion in client funds that the company was required to hold separately from its own funds.

The shortfall has blemished futures markets and left thousands of traders with insufficient margin deposits. Failure to separate customer and house funds is a violation under US law.

Citi appointed by Da Cheng for fund administration

Citi's Securities and Fund Services has been appointed fund administrator for Da Cheng International Asset Management (DCIAM), one of the top ten largest firms in China.

This is DCIAM's first public fund launch in Hong Kong and will be one of the first public funds launched in the city by a Chinese asset manager.

Under the front-to-back office mandate, Citi will provide a range of securities services to manage DCIAM's Hong Kong-authorised funds, including trustee, fund administration, transfer agency, global custody services and securities lending solutions.

Doris Lian, CEO of DCIAM said, "Da Cheng is committed to our clients and giving them the right products both in this region and overseas. We need a strong partner to provide us with sophisticated and comprehensive fund services. Citi is a good choice for us, with their global network and local expertise, and we look forward to working with them further to develop our business."

Citi provides mainland fund managers with both fund distribution opportunities in Hong Kong as well as direct market access in the US.

BNP Paribas wins outsourcing mandate with Spanish bank

Banco Popular Español has selected BNP Paribas to provide outsourcing services for the Spanish bank's back office operations.

BNP Paribas Securities Services will provide Banco Popular outsourcing services for their local and international assets, including: settlement and custody at the final client level, retail account maintenance and calculation of commissions, white labelling of regulatory reporting, retail fiscal reporting and technical support for their web platform.

Miguel Moreno, head of the project at Banco Popular said, "Our fundamental requirement was for a robust, open platform, yet adaptable enough to deal with impending regulatory changes. With our critical back office infrastructure now outsourced, we have been able to refocus the additional resources on our core business activities."

NAB extends NZ profile

The asset servicing business of National Australia Bank has signed a memorandum of understanding with MMc, a specialist fund and investment administration business.

The agreement means NAB can now offer fund administration services in New Zealand, in addition to its existing custody business.

"In line with our strategy, we are partnering with a recognised investment administration provider in the New Zealand market which supports our own domestic custodian service in the region," said NAB Asset Servicing general manager, capability deliver, Carl Spurling.

"The MMc alliance allows us to support our Australian clients with New Zealand operations as well as grow an additional base of clients in the New Zealand market."

Ogier Fund Services implements SunGard's Investran

Ogier has selected SunGard's Investran to support the firm's private equity administration needs. Investran's integrated solution suite will help Ogier to meet reporting demands for the entire investment lifecycle by automating front-, middle- and back-office processes.

Ogier Fund Services selected Investran to help manage and process high-volume accounting and reporting needs for private equity managers and their investors. SunGard's Investran will help Ogier's clients benefit from greater operational efficiency and improved service capabilities. Investran will help provide Ogierwith the capability to take on even more funds with complex service demands. Investran will enable Ogier's back-office operations teams to manage investor allocations, automate the accounting work flow and monitor investments from a single platform This will help provide improved transparency and enhanced reporting for clients.

The successful implementation of SunGard's Investran at Ogier has been based on the two organisations working together to deliver the project on time and on budget. This has been achieved as a result of the robust implementa-


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tion methodology that Investran adheres to, as well as Ogier's commitment of resource and effort to help ensure that it has a system that is suitable for its fund administration clients.

"SunGard's reliability and reputation as well as depth of expertise was a key deciding factor in our selection of the Investran solution," said Jane Pearce, group director of Ogier Fund Services in Jersey, Channel Islands. "Investran will provide us with a comprehensive solution to help meet today's needs as well as our future investment goals as we continue to service clients with more complex requirements."

Lauren Iaslovits, chief operating officer for SunGard's Investran business unit, said, "Private equity firms rely on SunGard's Investran's integrated capabilities to help support the entire investment lifecycle, including relationship management, reporting, monitoring, accounting, fund raising and deal pipeline management."

DST upgrades asset servicing solutions

DST Global Solutions has launched the latest version of HiPortfolio® 3v10, its investment accounting and asset servicing solution. This version is the latest in a regular cycle of functional and technical enrichment, based on client needs and DST Global Solutions R&D programme.

Gert Raeves, research director, Capital Markets, TowerGroup commented: "In today's cost constrained environment, investment managers are looking to maximise value from their core systems with wider functional and asset class coverage. Support for derivatives and reconciliation processing as well as regional tax and market practice requirements, can help firms balance the need for innovation with the operational efficiency of a single post-trade environment. It is encouraging to see market leading solutions such as HiPortfolio are responding to industry needs."

"Stringent regulatory requirements and today's more demanding investor has impacted the way we must support our clients' evolving businesses, downstream processing and reporting requirements," said Geoff Harries, global head of asset servicing, DST Global Solutions. "The upgraded HiPortfolio solution was improved based on specific client demands and is now available to existing HiPortfolio clients. We expect upgrades to start during Q4 2011."

HiPortfolio 3v10 has extended the depth of processing in a number of key operational areas in terms of derivatives processing, reconciliation and unit pricing to offer operational efficiency and help deliver cost reductions. Derivatives processing has been enhanced to provide capability for Total Return Swaps (TRS) and Contracts for Difference (CFD). This extends the current strategy to allow clients flexible accrual processing and to leverage existing systems within a client's operations with HiPortfolio focused on the areas of cashflows, resets, corporate actions and investment accounting.
In the area of reconciliation, the improvements provide more module parameters to meet diverse sets of business processes, such as Foreign Exchange reconciliation, and the ability to trigger e-mail alerts to speed up exception resolution.

For unit pricing, the focus has been to streamline the operational process, by providing more configurations in the creation of attribution reports to explain exceptions, to speed up the key area of issue resolution and to ensure that unit prices are published on time and in high quality. In addition, specific market enhancements have been made to deepen the functionality for Australian clients who need sophisticated processing associated with Tax of Financial Arrangements (TOFA) requirements, such as re-estimations for future cash flow changes, US Insurance requirements for National Association of Insurance Commissioners (NAIC) quarterly and annual updates and the extension of instrument coverage to support market specifics for Chinese OTC Repos.

Arun Sarwal added, "In the key areas of challenge in the industry today, these latest enhancements are a continuing demonstration of DST Global Solutions' R&D commitment to keep HiPortfolio current for its global client base. Our recent industry recognition confirms that we are responding to, and meeting, the ongoing challenges within the asset servicing sector."

Citi expands DCC services to South Africa

Citigroup's Global Transaction Services business has begun to provide Direct Custody and Clearing (DCC) services to its clients in South Africa. This new offering expands Citi's proprietary DCC network to 60 markets globally and 34 markets across EMEA.

Lee Waite, Global Head of Direct Custody and Clearing, Citi Global Transaction Services, said: "This new milestone demonstrates the strength of our unrivalled network and our commitment to provide our clients with global solutions while delivering consistently high-quality standard of service, technology and support."

Donna Oosthuyse, Citi Country Officer for South Africa said, "We are delighted to offer Direct Custody and Clearing services in South Africa, the leading economy and largest securities exchange in Africa. Citi has a long-standing presence in the country and we look forward to leveraging our local expertise and proactive engagement with customers, regulators as well as market infrastructures to generate new growth opportunities for our clients."

Citi's application to operate as a Central Securities Depository (CSD) Participant was approved by the Controlling Body of Strate Ltd, South Africa's authorised CSD and the Financial Services Board. Chief Executive of Strate, Monica Singer, said, "Citi has a long established relationship with Strate as one of the founding shareholders back in 1998. We are pleased to welcome them as a new CSD Participant in South Africa, providing custody and settlement services across all three of our markets, namely for equities, bonds and money market securities."

Capita Ireland selects Calastone's order routing

Capita Financial Administrators (Ireland) has announced its selection of Calastone's order routing service.

Capita will work with Calastone to offer STP for fund dealing, providing a real-time order management process for its investment management clients.

Alexander Hofmann, sales director of Calastone, said, "We are confident that Calastone's offering will add value to [Capita's] business, as well as that of existing and prospective clients, given our transaction network enables full interoperability."

Fund providers are set to benefit from an electronic solution when investing regardless of whether they are located on-shore or off-shore or whether they communicate domestically or internationally with counterparties.

This solution reduces risk, cost and removes the need for manual intervention, by automating the process throughout the dealing lifecycle.

Paul Nunan, managing director of Capita Financial Managers in Ireland, said, "Providing an automated solution to our clients and their investors enables greater efficiencies in fund dealing. At a time when all market participants are looking at ways to streamline their processes, reduce risk and reduce their costs, Calastone's automated service provides a more efficient standardised process."

SocGen gets Spanish bank mandate

Societe Generale Securities Services (SGSS) has announced it is selected to provide independent valuation services for Banco Cooperativo's structured products.

Banco Cooperativo was established over 20 years ago to provide the services of a central bank to its partner rural banks throughout Spain.

SGSS Spain has been offering securities services such as clearing and settlement, custody and trustee services, asset services, fund distribution services, liquidity management and global issuer services to top Spanish and international financial institutions for over 40 years.

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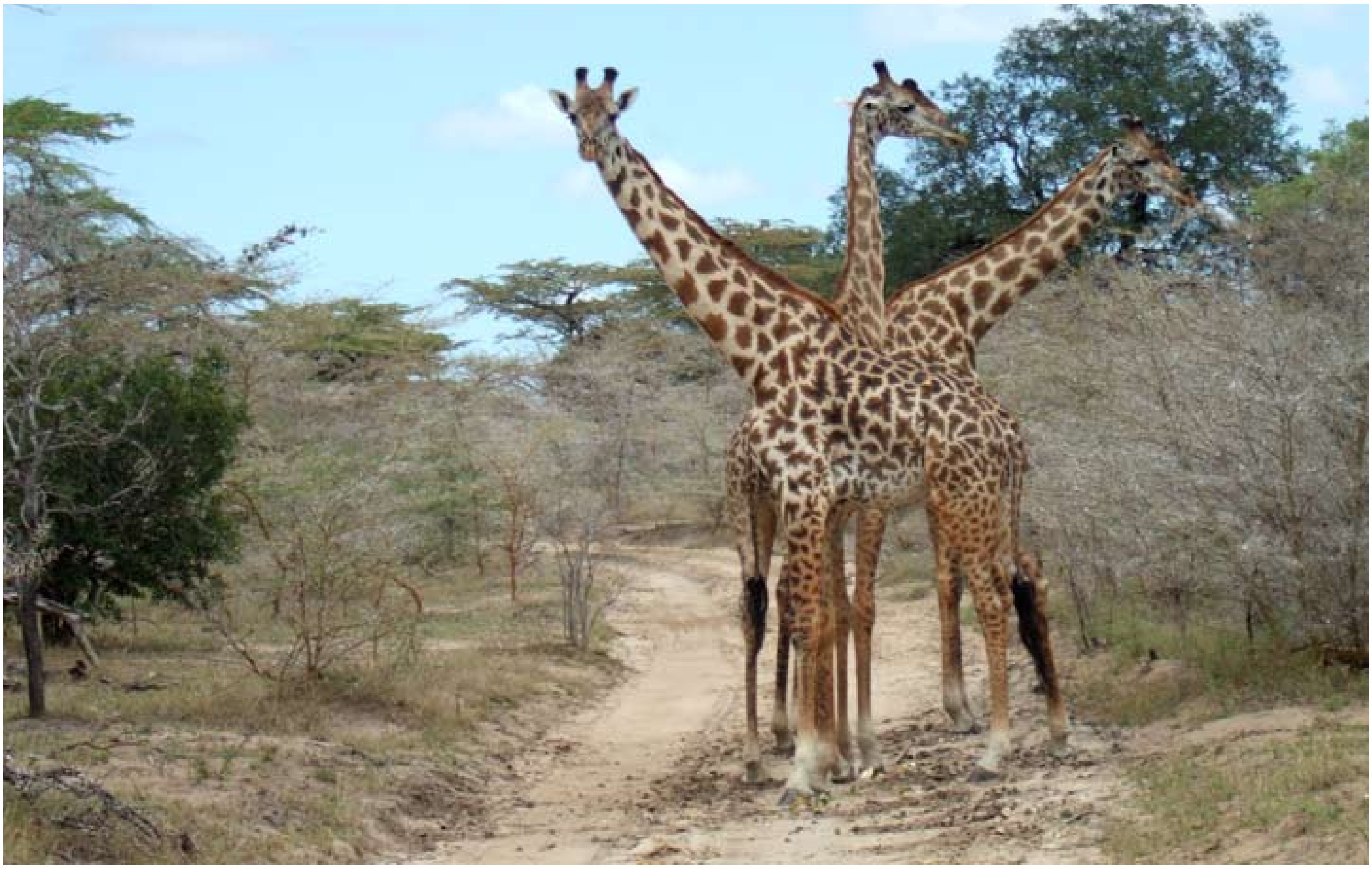

Africa

Big things are expected in Africa, but some countries are making bigger strides than others

BEN WILKIE REPORTS

With around a billion people in over 50 countries, Africa is predicted to be the next big thing when it comes to the financial industry. Already, forward thinking funds are investing heavily in several countries, and - in some territories at least - a vibrant asset servicing industry is already geared up to provide support.

There are still some serious barriers to overcome, however. While many countries on the continent seem to have it all - huge natural resources, a young and mobile workforce and an increasingly well-educated and motivated middle class, it still struggles with historic problems. Many governments remain unstable, and internecine conflicts often spill into neighbouring countries. Over a third of the population live on less than a dollar a day, while many countries also suffer under a heavy burden of international debt. Corruption is rife, and the AIDS pandemic is cutting much of the young population down in its prime.

So the hurdles that need to be overcome remain astonishingly high. But there are real positives. In countries such as Botswana, natural resources are being harnessed to benefit the country as a whole, while the likes of Kenya, Tanzania and Namibia are making strong strides in attracting wealthy tourists. The African diaspora is sending money home, increasing the wealth amongst those they left behind. Many countries are becoming more politically stable - the genocide in Rwanda is, while certainly not forgotten, being worked through and the creation of South Sudan, the world's newest nation, was done without the bloodshed often associated with breakaway countries.

And then there is China. While there are certainly many downsides to the world's new economic superpower's investment in Africa, no-one can deny there have been some real benefits. In desperate need of guaranteed natural resources, China has pumped billions into many areas of Africa, particularly in sub-Saharan countries that either have their own mineral wealth or can provide a pipeline through the continent. New roads are being built, new factories, new mines, new airports and shipping routes. All of this is providing jobs for the people and incomes for the countries. For the moment at least, it is also providing security and stability. And while growth varies dramatically, many countries have significantly outperformed the more mature markets in the West.

The most mature market has for decades been South Africa. Since its emergence from the horrors of apartheid, it has transformed itself into a modern economy that has the confidence of both local and international investors.

> South Africa remains a comparatively small market compared to the Western giants, but it has been punching above its weight for some years

The World Cup last year put a real focus on South Africa, showing it as a modern vibrant nation that - while not without its problems - is a beacon to the rest of the continent. 20 years after Nelson Mandela's release and the beginning of the end of apartheid, the country is increasing its wealth and open for business to the wider world.

South Africa remains a comparatively small market compared to the Western giants, but it has been punching above its weight for some years. While it certainly suffered during the downturn, it has bounced back well, and asset levels are now on a par with those seen three years ago. Growth has consistently been in double digits over the past year, and the stock exchange is confident that its success can only continue.

From being a fairly insular economy, the South African government and regulators have decided to open up somewhat in the past couple of years. Of course, part of the reason for the country's relative immunity to the international economic downturn was its existing regulation, which meant that domestic investors tended to invest domestically, while international players were not in the market enough to spread the contagion.
But there is an understanding that if the country is to compete on the international stage - and to improve the lives of its citizens, particularly those at the bottom of the ladder - South Africa must become more internationalist.

In October 2008, foreign exchange controls were relaxed, meaning foreign capital allowance for residents, which was last adjusted in 2006, would be increased from ZAR2 million to ZAR4 million, while the single discretionary allowance would be increased from ZAR500,000 to ZARR750,000. The Government also raised the limit on the amount institutional investors can take offshore by five percentage points. The limit will be between 25 per cent and 35 per cent for investors, depending on both the type of investor and the type of investment.

"Previously, the foreign exchange controls placed obvious constraints on the industry and the available assets to service in the local market," says one custody leader. "These constraints have now been eradicated and investors can now look further at greater investments into sub-Saharan regions, as just one example," who adds that foreign investment into the region will now become more appetising, and domestic investors looking to expand their footprint in Africa will now be more attainable. From a securities services provider perspective, the future looks very promising.

The South African government has also announced a review of the prudential framework for foreign investment by private and public pension funds. This will include the Government Employees Pension Fund. A prospective review date is yet to be announced.

It's not just the Government that is looking to bring in the changes. The Johannesburg Stock Exchange has invested heavily in technology and infrastructure and is now looking to bring the settlement timeframe more in line with modern standards. Currently at T+5 settlement, many in the industry have voiced concern that as volumes grow, the potential for reducing liquidity and efficiency and increasing risk also grows. As a result, the exchange is looking to move to T+3 as soon as possible.

New funds have entered the market, while many of the existing participants have expanded their offerings. This is combined with the country's position at the forefront of a continent that is increasingly open for business. The risks of investing in many newer markets, however, means that many firms prefer to base themselves in the relatively safe environment in the south while looking for opportunities elsewhere. In 2009, HSBC launched its SA synthetic DMA platform and expanded its Market Access product to a number of neighbouring countries, including Nigeria, targeting an increasing number of investors with an interest in this part of the world.

> Standard Bank has a reputation for quality of service at a low cost, while other African banks - in particular those from Nigeria - have a small but growing footprint

"We have high hopes for many of these markets," says a spokesman for one South African bank. "We have given ourselves the opportunity to kickstart the market here - as they become more sophisticated and more funds look to invest in this area of the world, we are going to be able to service the investment that comes in. We don't expect there to be enormous growth straight away, but there will be business and we are in a prime position to take advantage of that."

It's not straightforward, though, as head of business development at Finsettle Ted Hampson explains: "Common challenges are faced by the different exchanges across Africa, which include liquidity in the markets, standard or similar governance and reporting principles, effective and standard settlement cycles at T+?, effective use and/ or adaptation of technology, movement to electronic trading systems, the need to increase bandwidth, education of companies towards listing as a capital raising alternative, consumer education related to investing in a stock exchange, effective available research, education and training of market participants, customer management systems and techniques, navigating the needs of different exchanges, countries and regions as further trust is fostered for all to take advantage of the future opportunities. These common challenges present business opportunities for those with vision...."

The big global names are out in force in South Africa, with Societe Generale, State Street, J.P. Morgan and others leading the way. Domestically, Standard Bank has a reputation for quality of service at a low cost, while other African banks - in particular those from Nigeria - have a small but growing footprint. And all of this is designed to offer clients access to markets across the whole continent - or at the least those countries in central and southern Africa. Last year, Standard Chartered Bank set down a marker in Africa after buying Barclays Bank's one remaining foothold in the business.

Barclays exited the custody world in 1998, leaving only its pan-African operation. While it insists the business is still profitable, management by a global operator would give it a boost, according to Barclays.

Operations are present in eight countries where direct custody capabilities have been added: Botswana, Ghana, Kenya, Mauritius, Tanzania, Uganda, Zambia and Zimbabwe. Indirect capabilities are available in Egypt, Cote d'Ivoire, Malawi, Morocco, Namibia, Nigeria, Tunisia and South Africa. These are provided through a network of third party sub-custodians powered by an operations hub in Mauritius. It's this sort of operation that international funds are increasingly sourcing. And as South Africa matures, many experts believe it will pull its neighbours up behind it. "We're confident in South Africa and have a lot of investment there," says a representative of one fund management company. "Nearby, we would be happy to work in Botswana and, to a lesser extent Kenya and Tanzania. We're hoping that more as more countries come on stream, we will have more opportunities to operate outside Johannesberg.

As South Africa matures, many experts believe it will pull its neighbours up behind it

Banking giant Citigroup recently announced that it has expanded its direct custody and clearing services to institutional investors in South Africa, becoming the 60th market where the bank offers this service. Country manager Donna Oosthuyse says: "This business will be a profit centre in and of itself. This should bring in foreign-exchange business, electronic funds transfer and brokerage. In time there will be securities lending and cash management".

Nigeria

While South Africa may be more established, Nigeria is quickly catching up. Although it has a reputation in some areas as a home of corrupt activity, the funds market has developed a name as an efficient, open and approachable market.

With over 150 million people, and a well-established and profitable oil production base, the fundamentals are strong. In 2010, the equity market grew by almost 20 per cent and this has continued into 2011. However, the asset servicing market remains dominated by domestic banks, especially when it comes to looking after the pension funds.

Historically, custody in Nigeria has been divided into non-pension and pension custody, and pension fund custodians (PFCs) are licensed and regulated by the National Pension Commission. There are four pension custodians controlling 95 per cent of the market: First Pension Custodians, Zenith Pension Custodians, UBA Pension Custodians and Diamond Pension Custodians (all are subsidiaries of four Nigerian banks: First Bank, Zenith Bank, UBA and Diamond Bank). A handful of non-pension custodians or asset custodians are allowed to source business from outside the pension arena. Whereas the local investment market is underdeveloped, much of the business comes from foreign investors and all custodians are regulated by the Nigeria Securities & Exchange Commission (SEC).

Section 47 of the Pension Act provides that the custodians shall receive the total contributions remitted by the employer on behalf of the pension fund administrator within 24 hours of the receipt of contributions from any employer; and notify the pension fund administrator within 24 hours of the receipt of contributions from any employer.

The PFCs are also to hold pension funds and assets in safe custody on trust for the employee and beneficiaries of the retirement savings account.

On behalf of the pension fund administrator, the pension fund custodians are to settle transactions and undertake activities relating to the administration of pension fund investments including the collection of dividends and related activities.

Besides, the Act requires PFCs to report to PenCom on matters relating to the assets being held by it on behalf of any pension fund administrator at such intervals as may be determined, from time to time, by the commission.

The Act further states that the PFCs shall undertake statistical analysis on the investments and returns on investments with respect to pension funds in its custody and provide data and information to the PFA and the commission.

However, other providers are making waves. Standard Bank and Standard Chartered are both bringing in new business, while other firms are circling the market. **AST**

HSBC launches MENA fund administration platform

HSBC Securities Services (HSS) has launched a new fund administration platform for the Middle East and North Africa.

According to the firm, the platform's capabilities include a robust valuation reporting model, ability to cater for a full range of asset classes, rich functionality around accounting and valuation, increased automation of functional services such as cash processing and reconciliation, reputed third party sources of prices and rates and the ability to utilize an extended range of performance management and compliance tools.

Arindam Das, head of HSBC Securities Services, MENA, commented, "Our progressive investment in the securities services business in the Middle East and North Africa is designed to provide a best in class service proposition. Through this we are able to offer a full product range with the key benefits of accuracy, agility, responsiveness and scale, as expected by the clients we serve."

The launch follows development of the company's global custody proposition in the Middle East market over the last two years, according to Ian Stephenson, global head of product, Fund Services. "Project investment leveraged HSBC's global strategic fund administration technology platform, enabling a wider range of value add services and benefits to be brought to clients in the region," he said.

The new platform is part of an ongoing commitment to development in the MENA region, according to a HSBC. HSS is a leading providers of custody and fund administration, operating in 48 markets worldwide. It has a strong record in the MENA region as one of the first international banks to offer these services

Working together

CCP interoperability continues to make somewhat uneven progress across Europe. At the Global Custody Forum,Tomas Kindler, head of clearing relations at SIX Securities Services, presented on the status of interoperability in the cash equities space. AST catches up with him on the sidelines of the conference.

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AST: What do you want to make sure to get across about interoperability?

Tomas Kindler: Interoperability is really market driven, not regulation-driven - it has become reality, it is working and market participants are leveraging this new framework. To give one very concrete example, we switched the exchanges that were interoperable in the past to the new framework - the London Stock Exchange (LSE) and SIX Swiss Exchange - in July and between that time and today, we have doubled our market share in the London Stock Exchange. We are now at 25 per cent of the clearing volume of the LSE. The market wants competition and choice and ultimately when market participants pick their CCP of choice, that makes the market more efficient and cost efficient from both a product and service perspective.

AST: At the same time "inter-CCP" risk is now a factor that will require additional collateral. How much of a drawback will that be for the interoperability model?

Kindler: This is a key element of the new interoperability framework demanded by regulators. The old model foresaw a reuse of collateral to cover the inter-CCP risk, but this was no longer considered appropriate by regulators and the new framework they have approved requires the CCPs to cover the inter-CCP exposure by additional collateral. And that is on top of and independent of collateral collected as margin. So, yes, it means increased collateral requirements. There are different strategies applied by the CCPs to ensure they collateralise their exposure to the co-CCP.

We have opted for a hybrid model, where we collect 50 per cent from clients and contribute 50 per cent ourselves because we believe the market should not bear the full additional cost of interoperability. I think our competitors have opted to collect the full amount from their clients but that is their choice.

On the other hand, because market participants now have the opportunity to consolidate business across various venues in a single provider, that drives collateral efficiency. There is only one default fund contribution and margins can be offset across multiple venues; that clearly lowers collateral requirements.

The bottom line is that interoperability increases collateral efficiency and reduces collateral requirements.

AST: One of your observations of European players in the cash equities space is that two "camps" are emerging. Can you elaborate on that point?

Kindler: One is the majority of the MTFs – including Bats, Chi-X, Turquoise – and some regulated exchanges such as LSE, SIX Swiss Exchange and NASDAQ OMX, that support interoperable clearing with four to five CCPs competing in that space. This represents roughly 60 per cent of clearing volume. Then you have the other 40 per cent which mainly process along the vertical domestic value chains, so the German, Italian, Spanish and Greek markets, among others. There you have vertically integrated market structures that have not embraced interoperability yet. That is what we are seeing and I think it is a hard nut to crack because from a purely commercial perspective, there is no incentive for those exchange groups to open up clearing.

AST: What do you think it might take to open up those markets?

Kindler: From my perspective, it will probably take a combination of remedies in the context of mergers and future regulation, such as EMIR and/or MIFiD II, to force the markets to open up. But then looking back at MIFiD I, although the regulation was introduced more than four years ago, there are still a few markets in Europe that have not implemented it. So, just the fact that the regulation is likely to be ready by 2013 does not mean that the markets will open up automatically.

AST: Is there any answer as to how interoperability will help to push what many market participants feel is much-needed consolidation?

Kindler: In terms of interoperability triggering consolidation, when it comes to the 40 per cent of the European market that are organised along vertical silos, no, there is no firm answer. There are potential answers that I have just outlined such as regulation, but otherwise, not really. But for the other 60 per cent that are contested, well yes, there are answers. In light of interoperability, all the CCPs have introduced new fee schedules with significantly reduced prices. Some have introduced fee caps, like LCH.Clearnet and EuroCCP. From a revenue perspective, the pie is somewhere between €25 to 35 million in annual clearing revenues. That is maybe enough for two CCPs, but not for four or five. I think we will see natural selection if you will and scale is an important factor because it allows you to have the lowest unit cost and also to offer competitive pricing. With all the incoming regulations and focus by supervisors, risk management will move up higher on the agenda of selection criteria. How robust is the CCP, how well is it capitalised and supervised? And ultimately, sustainability is a factor because market participants want to pick a provider that is in it for the long run and not out of the business in the next two years.

AST: You also discuss some of the issues for CCPs in overcoming fragmentation in other asset classes such as derivatives. Can you elaborate on that point?

Kindler: We are not in the derivatives space, but what you have is on-exchange and OTC derivatives. On-exchange derivatives are by design vertical silos, because all the large derivatives exchanges have their own clearing house - it is a crucial element to create and list new products. Those are closed and for the time being there is no fungibility between similar contracts traded on different exchanges.

No exchange and clearing house has shown any interest to give access to open interest, so it remains a fragmented space and there are no signals that this is going to change any time soon.

As for the OTC market, which is in the spotlight right now, there is a regulatory push towards CCP clearing. It is a huge market at some $700 trillion and so a great potential for CCPs. What we have seen over the last two years is CCPs entering that space and I have stopped counting, but there are easily 15 clearing houses on both sides of the Atlantic now which either offer OTC derivatives clearing or have concrete plans to do so.

Though it is a big market it does not require 15 different providers to service that market so there is an element of fragmentation as well.

But because it is OTC and not linked to a trading venue, it is up to the market participants to select their provider of choice and I think we will see natural consolidation around a few providers. **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"

Industry appointments

Penson Worldwide has appointed **Diane Schueneman** as independent director and member of the board's audit and compensation committees. She has previous experience with DTCC and is currently a non-executive director of ICAP, an interdealer broker and provider of post trade risk and information services.

Schueneman replaces David Reed, who recently resigned.

Phoenix Fund Services has appointed **Theodore Agnew** and **Peter Little** as non-executive directors of Phoenix Administration Services.

Agnew is currently a partner in Somerton Capital, a private equity firm; a non-executive director of Jubilee Managing Agency, a Lloyds insurance business; and a non-executive director of the Education Board. Previously, he founded Town & Country Assistance and was a co-founder of WNS Global Services.

Little was a co-founder and served as managing director of Braid Systems. He has also been chairman of Cadis Software since March 2008, among other roles in the financial services industry.

Societe Generale Securities Services (SGSS) has established an executive committee responsible for strategy and development to be headed by **Bruno Prigent**, global head of SGSS.

In addition to their current positions, members of the executive committee oversee specific activities which are divided into areas such as clients and client operations.

As a member of the new committee, **Massimo Cotella**, helps develop new client solutions by leveraging expertise of SGSS teams in cash and securities liquidity management as well as foreign exchange. Cotella is CEO of SGSS Italy, and in this role supervises sales and marketing activities, as well as SGSS' Liquidity Management services such as securities lending, treasury and foreign exchange.

Other members of the committee are **Pascal Berichel**, head of fund distribution services and **Didier Rolland**, global head of client and business support within the Corporate and Investment Bank's operations department. He supervises clearing, custody services and issuer services of SGSS.

As part of the committee, Berichel and Rolland are responsible for reinforcing transversal management and synergies among the SGSS operational activities and ensuring quality multi-products in multiple countries in an ever moving context.

Deutsche Bank has appointed **Thibaud de Maintenant** as global head of Direct Securities Services (DSS) within its Global Transaction Banking division.

Based in London, Thibaud de Maintenant will report to Satvinder Singh, global head of Trust & Securities Services (TSS) and a member of Global Transaction Banking's executive committee.

Paul Stillabower and **Mike Martin** are leaving HSBC Securities Services to pursue other opportunities within the industry, according to reports.

Andreas Wolf, CEO of Clearstream Banking, Frankfurt, and member of the executive board of Clearstream International, Luxembourg, has taken the decision to step down from both boards and leave Deutsche Börse Group, on 31 December 2011, in order to pursue new activities. The supervisory board of Clearstream Banking confirmed Wolf's request to terminate his contract.

Jeffrey Tessler, CEO of Clearstream International, said: "I would like to thank Andreas Wolf for his constant commitment to Clearstream. In his 12 years of service in various management positions, he has made a major contribution to the development and success of the company. I welcome **Stefan Lepp** to his additional role as CEO of Clearstream Banking AG. With his outstanding knowledge of the German domestic market and the international post-trading environment, he will take our German central securities depository forward."

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Stefan Lepp has been a member of the Executive Board at Clearstream Banking since 2006. He is also an executive board member at Clearstream International and at Clearstream Banking Luxembourg and is responsible for the Global Securities Financing business area.

Bill Hunt, former vice chairman of State Street, will be joining Multifonds' board of directors.

Hunt spent his career between the US and Asia, starting with State Street in Japan in 1994 after working in various securities and investment management roles. He also served as a senior member of State Street's Asia-Pacific development board, the executive team responsible for strategic planning across the entire Asian region. **AST**

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