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CONTENTS

First win for new Russell fund administration service

SYDNEY 17.12.2010

AvSuper has selected Russell Investments to provide fund administration services to its 6,000 members. This is the first win for Russell's new in-house administration model, set to kick off on 1 January 2011.

"What really attracted us to Russell was their consultative approach – they recognise that not every super fund is the same and worked with us to customise a modern administration solution that is scaleable and tailored for our particular members' needs," said Michelle Griffiths, chief executive officer at AvSuper.

"We were impressed with the extensive level of detail Russell presented about their administration model which clearly demonstrated their ability to support us in providing the highest level of personalised service to our members," she said. Russell is set to commence as fund administrator to AvSuper in early 2011.

This announcement follows Russell's earlier decision to strengthen its administration business in order to be able to better assist and engage fund members by bringing in-house over 75 roles previously outsourced to IBM. In addition, Russell is enhancing its existing global offshore capability to allow non member-facing activities to be carried out in the most accurate and cost-efficient way.

"The transition to our in-house administration model is going very well, and we are excited at the developments the new model offers our existing clients and the new business opportunities it presents us, like our new partnership with AvSuper," said Siva Sivakumaran, director, administration and consulting services at Russell.

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AlphaMetrix buys Spectrum.

AlphaMetrix has acquired Spectrum Global Fund. As a result, it now has the largest independent full-service hedge fund platform available.

The new multi-administrator platform created by the acquisition will allow investors to choose from a wide variety of fund administrators, including AlphaMetrix 360 – a direct result of the acquisition. The company is now working with over 100 managers and $20 billion in client assets.

State Street to service Synod

State Street Corporation has been appointed by the General Synod Pension Plan of the Anglican Church of Canada to provide custody, fund accounting, securities lending and foreign exchange services for CAD600 million in assets.

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First win for new Russell service

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"This is the first step in what we believe will be an attractive proposition for funds looking for an administration arrangement that's tailored to their specific needs," he said.

Russell's superannuation administration business provides services to over 220,000 individuals and includes contributions and benefit payment processing, insurance and claims management, choice of fund, financial reporting, online services, interactive voice response, call centre and financial advice.

"It is encouraging to have a fund like AvSuper choose our new administration model and confirms our efforts are on target," Mr Sivakumaran concluded.

Florida looks for new master custodian

Florida State Board of Administration is to begin a search in March for a master custodian in a move that may mean it unbundles securities lending and other services from the mandate.

Consultants have been invited to develop the criteria for the search for the $147.5 billion fund, which is made up of both pension and non-pension assets.

Currently, Bank of New York Mellon is master custodian for the funds, with Deutsche Bank and ClearLend Securities providing supplementary services including securities lending.

State Street to service Synod

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The General Synod Pension Plan of the Anglican Church of Canada is a multi-employer Pension Plan registered with the province of Ontario and has been in existence since 1946. The General Synod Pension Plan of The Anglican Church of Canada provides pension benefits to clergy and lay employees of the Anglican Church of Canada and related organisations.

"After a competitive evaluation process, we chose State Street based on its reputation for client service as well as its infrastructure and reporting capabilities," said Judy Robinson, executive director of the Pension Office Corporation of the Anglican Church of Canada. "State Street's local presence and global expertise made it a logical choice for our needs."

"We are very pleased to be appointed by the Anglican Church of Canada for this new mandate," said Ronald Robertson, senior vice president and managing director of State Street Trust Company Canada. "This win exemplifies our commitment to providing Canadian institutional investors with a high level of client service and to investing in the technology and infrastructure to support their changing needs."

State Street appointed by Libremax Capital

State Street Corporation has been selected by LibreMax Capital, LLC to provide fund administration services for its newly launched hedge fund.

LibreMax Capital was founded by former Deutsche Bank executives Fred Brettschneider and Greg Lippmann.

International Fund Services (IFS), State Street's hedge fund administration company, which is part of its Alternative Investment Solutions group, provides administration services to the fund which was launched in October.

"Appointing State Street to provide our new fund with administration services enables us to focus entirely on achieving investment results," said Greg Lippmann, co-founder and chief investment officer of LibreMax Capital. "State Street's proven track record of servicing some of the most complex hedge funds in the industry made it the clear choice for this assignment."

"In today's highly competitive market with increased demand for transparency, more hedge fund managers are electing to use third party providers for their administration requirements," said George Sullivan, executive vice president of State Street's Alternative Investment Solutions group.

"State Street has a wealth of experience servicing a range of hedge funds, and we look forward to building a productive partnership with LibreMax Capital."

Citi wins B&C Lux mandate

Citi's Global Transaction Services business has been appointed by Builders and Contractors Luxembourg (part of Hochtief Group) to provide a range of funds administration services and to take on board their Letters of Credit programme. Citi will become Builders and Contractors Luxembourg's main partner. The mandate includes safekeeping of assets and additional services including compliance monitoring, investment administration and accounting.

The integrated service will allow Builders and Contractors to focus their efforts on value added asset management, while allowing fund shareholders to benefit from scale, efficiency and risk management. Builders will benefit from Citi's robust fund accounting service in Luxembourg based on a single global operating platform, experienced Investor services management team and integrated client processes.

Andrew Gelb, head of securities and fund services EMEA, said, "Citi's appointment by Builders and Contractors is another strong example of our institutional clients' endorsement of our investor services capabilities in Luxembourg and our ability to structure complex multi product solutions. We look forward to our partnership and importantly to supporting Builders' growth in the fund industry."

John Morrey, CEO at Builders and Contractors Luxembourg said, "We are looking forward to developing a strong working relationship with Citi. As we continue to develop innovative, cutting-edge quantitative products, we look to Citi as a partner in growth and provider of innovative and efficient solutions, which will meet our special needs."

State Street wins AP2 mandate

State Street has been awarded the custody and fund accounting mandate for Sweden's AP2 pension fund.

The EUR14.3 billion fund previously used Svenska Handelsbanken, but new rules meant it had to look for outsourcing services outside Sweden, something it had not done previously. Handelsbanken will continue to have an as yet undefined role.

AP2 is one of Sweden's four state pension funds. It began operating at the beginning of 2009.

Turkish delight for Euroclear

Euroclear Bank, the Istanbul Stock Exchange (ISE) and Takasbank, the central clearing and settlement institution of Turkey, have teamed up to ensure Turkish Eurobonds listed and traded on the ISE will settle at Euroclear Bank


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after the transactions are cleared and netted by Takasbank.

Effective 17 December, Turkish banks with accounts at Euroclear Bank will be able to settle Turkish Eurobond trades conducted both OTC and on the Istanbul Stock Exchange in the same accounts where they settle their cross-border Eurobond and other securities transactions with international counterparties. They will benefit from the ability to settle in multiple currencies with domestic and foreign counterparties, and with more advantageous deadlines than their current arrangements. The Turkish Lira is already one of 53 settlement currencies offered by Euroclear Bank. Most of the major Turkish banks have Euroclear Bank accounts.

Hüseyin Erkan, chairman and chief executive officer of the Istanbul Stock Exchange, said: "In commemorating today's 25th anniversary of the Istanbul Stock Exchange, we are delighted to offer new features in broadening the appeal of the Exchange as a venue to trade Turkish Eurobonds. We are launching a new trade matching system, called Neg-deal, to increase liquidity, and we are enabling our members to settle Eurobond transactions traded locally and cross border with the leading settlement infrastructure for these securities - Euroclear Bank. We expect this initiative will increase settlement efficiency for our members and potentially increase liquidity for these securities on the Exchange."

Emin Server Çatana, president and chief executive officer of Takasbank, commented: "As the central clearing and settlement institution of Turkey, we fully support the new arrangements for the settlement of locally traded Turkish Eurobonds. We acknowledge the operational benefits this will deliver to Turkish banks and look forward to working closely with Euroclear Bank on a successful launch on 17 December."

Yves Poullet, chief executive officer of Euroclear Bank, welcomed this new development and added: "We believe that Euroclear Bank can add value to Turkey's local financial community by sharing our multi-currency Eurobond settlement and asset-servicing capabilities, and we are looking forward to doing so. We also congratulate the Istanbul Stock Exchange on its 25-year anniversary and wish them continued success for the future."

Northern Trust selected by LA Fire and Police

Northern Trust has been reappointed as global custodian for the Los Angeles Fire & Police Pension System following a full due diligence process administered by the programme directors. The Los Angeles Fire & Police Pension System is a public pension plan covering approximately 13,000 active members and 12,000 retirees and beneficiaries.

"Northern Trust has provided top-notch service, and the stability of their servicing team was a

distinguishing aspect as we considered renewing this relationship," said Tom Lopez, chief investment officer of Los Angeles Fire & Police Pensions System. "The array of custody, performance and risk services that Northern Trust provides is critical to meeting our goals in supporting our 25,000 plan constituents."

Jon Dunham, head of North American asset servicing sales for Northern Trust, said: "Large public pension systems like LA Fire & Police require a combination of financial strength and stability, first-rate client service and technology innovation from their global custody provider. Northern Trust is committed to these plans, with dedicated public fund teams, specialised accounting and reporting capabilities and user-friendly tools for compliance monitoring and other oversight functions."

The Los Angeles Fire & Police Pension System administers the defined retirement plan benefits for all sworn fire, police and certain port police employees of the City of Los Angeles. Its mission is "to advance the health and retirement security of those who dedicate their careers to serve and protect the people of Los Angeles."

Algorithmics signs Aspen Insurance

Algorithmics has announced that Aspen Insurance UK has signed a subscription agreement for access to the Algo FIRST database of case studies, covering more than 9,600 operational risk events.

After evaluating content sources and databases available in the market, Aspen, a global provider of insurance and reinsurance, selected Algo FIRST. Aspen will use knowledge gained from Algo FIRST's loss and risk content to inform its financial institution's underwriting and operational risk management.

Rupert Villers, chief executive officer at Aspen Insurance, commented: "Algo FIRST is a valuable source of intelligence on a financial institution's exposure to losses. We will use the database to develop our underwriting expertise further, which we believe will be beneficial to our insureds and brokers."

Julian Cusack, group chief risk officer at Aspen Insurance also commented on the FIRST subscription decision: "We decided to subscribe to Algo FIRST to expand our knowledge and understanding of particular categories of operational risk. We will incorporate the database in our management of operational risk across the Group."

Laura Polak, director and head of business and product development operations for operational risk content at Algorithmics, added: "I am delighted to welcome Aspen to our community of Algo FIRST users. I believe that Algo FIRST, with its broad coverage across risk categories, will provide Aspen with the content it needs to be able to make informed underwriting decisions as well as broaden their own internal operational risk program through scenario analysis, risk identification and awareness, and change management initiatives."

Interactive Data extends mobile solutions

Interactive Data Corporation has launched PrimeTerminal Mobile, a BlackBerry application that enables users to follow developments in the financial markets in real time and monitor their own portfolios at any time and from anywhere.

PrimeTerminal Mobile offers access to a broad range of real-time quotes, historical and reference data, charts, news and market overviews. Portfolios and watchlists can easily be accessed to check the performance of individual positions or an entire portfolio, and relevant news, events and other information on a specific security can be quickly retrieved, providing added value when making investment decisions.

PrimeTerminal Mobile replicates users' personal portfolio settings from their desktop application, while a sophisticated, user-friendly interface allows for individual customisation of the data displayed. Financial market professionals can benefit from the same user-specific entitlement in terms of content, asset class coverage and depth of history as for the PrimeTerminal desktop solution.

"Investors, financial advisors and wealth managers need to stay in close touch with the financial markets while they are on the move," said Carsten Dirks, global managing director of Wealth Management Products at Interactive Data. "With PrimeTerminal Mobile, we can provide our customers with much of the time-sensitive content and functionalities defined within their desktop solution. This type of access can help them to quickly adjust their investment decisions in changing conditions even if they are out of the office."

SS&C plots expansion

SS&C Technologies, a global provider of financial services software and software-enabled services, has signed a 10-year renewal and expansion with The Durst Organization at 675 Third Avenue in New York.

This expansion supports the growth of SS&C's fund administration, financial training and online courseware and municipal finance businesses, and its private equity fund administration services that resulted from the acquisition of Geller Investment Partnership Services (GIPS).

"SS&C is experiencing growth in key segments of our business and our commitment to serving our growing client base was a key driver for our expansion in one of the major financial centres of the world," said Bill Stone, chairman and chief executive officer, SS&C Technologies Holdings, Inc. "At a time where many of our competitors are scaling back their operations, our expanded market presence is something we can all be proud of and is a significant milestone in our overall growth."

The New York City office hosts approximately 250 employees from several departments, including middle and back office operations for SS&C's fund administration business, sales, development and account management, as well as key members of SS&C's executive management team. Colliers International represented SS&C in this transaction that more than doubles its real estate footprint in mid-town Manhattan to 51,000 square feet.

Meridian moves to managed hosting data solution

Meridian Global Fund Services Group has implemented a managed hosting solution, which moves their core IT infrastructure and data into a secure cloud environment.

Meridian has partnered with 6fusion, a cloud hosting provider that has developed a consumption-based billing model allowing hosted infrastructure to be billed as a utility through its solution partner network; and Ignition, an international IT managed services provider. 6fusion developed the managed hosting and consumption metering platform for Meridian while Ignition acted as the IT consultant in the set up process and will provide ongoing resources as needed.

"This initiative has significantly improved our scaleability as a global fund administrator and has solidified our disaster recovery solution," said Eric Smith, senior vice president of information technology at Meridian Global Fund Services. "We now have the capacity to manage our data needs and realise value from improved performance, improved reliability and lowered cost."

"We are very excited about the strategic partnership with Meridian Global Fund Services," said Rob Bissett, vice president, product management at 6fusion. "Through 6fusion, Meridian is leveraging a distributed data network that provides access to significant resources and the ability for virtual unlimited scaleability and growth. Our utility metered model contributed to Meridian migrating to the cloud." The 6fusion data centre is a state-of-the art secure facility with SAS 70 Certification.

"We look forward to supporting Meridian's migration in Bermuda with a 24/7 help desk, quality assurance, managed services, and proactive network monitoring," said Michael W. Branco, senior vice president, The Ignition Group of Technology Companies. "Meridian has stepped ahead of its competitors by choosing a hosted infrastructure solution and managed IT services allowing them to concentrate on the core competencies of fund administration rather than managing their own day to day IT." Ignition supports 5,000 plus users in 32 countries.

Smart Order Routing goes live in India

Credit Suisse has announced that it has executed its first trades using Smart Order Routing (SOR) technology on both the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) in India. This enables investors to access the best price available at a given time for stocks listed on both the BSE and NSE. Credit Suisse's leadership with SOR in India is further evidence of how the bank's dominant electronic trading franchise delivers benefits to its clients.

"The availability of SOR in India is an advantage for investors in this rapidly-expanding market, enabling them to achieve cost savings and a more efficient execution process," commented Murat Atamer, head of product for advanced execution services (AES) for Asia Pacific at Credit Suisse.

SOR technology directs orders placed with a broker to the best price available if a security is listed on more than one market. SOR trades handled by Credit Suisse so far have resulted in a 6bp average saving compared to trading without SOR, noted Atamer. This is more than the average bid/offer spread for the names traded, he added.

"We're very excited about this major step forward for India's equity market," said James Rae, head of AES sales, SE Asia, Credit Suisse. "There are price discrepancies at the moment because it is difficult to trade both exchanges manually, but SOR means clients can have confidence that they are achieving best execution without having to watch two markets."

Credit Suisse's groundbreaking SOR trades in India continue the Bank's history of realising benefits for its clients by developing new trading technology in Asia Pacific. In May 2009, Credit Suisse became the first broker to offer SOR in Asia Pacific with the launch of AES Pathfinder in Japan, enabling clients to execute trades at the best price available across Japan's traditional exchanges and Proprietary Trading Systems (PTS)

Northern Trust supports KIID

Northern Trust has announced it can now assist fund managers across the globe with the generation and maintenance of Key Investor Information Documents (KIID). This latest automated offering supports Northern Trust's fund manager clients who under UCITS IV will be required to provide KIID for every UCITS product sold within European Union member states.

"UCITS IV will affect fund managers across the globe, and this latest service is in line with our focus on delivering solutions to help support our clients as they navigate the new regulatory landscape," said Karen Hamilton, head of fund administration product development for EMEA at Northern Trust. "Some of our clients may have thousands of KIIDs to produce during the course of each year, so automation, control and data access will be key to success."

Northern Trust has partnered with Equipos, a leading international supplier of specialist client reporting, document management and business process management solutions for institutional and private client investors, and wealth managers, to deliver the solution. It builds on an existing solution from Equipos already in use in Northern Trust's Investment Operations Outsourcing business.

"Through the Equipos solution, Northern Trust will be able to automate the production of KIID for their clients as well as leverage an integrated workflow tool to control the production process," said Damian Bryan, Equipos CTO.

KIID aims to promote transparency and uniform standards among different EU member states and includes the following information relating to the UCITS fund concerned:

- identification of the UCITS
- a short description of its investment objectives and investment policy
- past-performance presentation or, where relevant, performance scenarios
- costs and associated charges
- the risk/reward profile of the investment, including appropriate guidance and warnings in relation to the risks associated with investments in the relevant UCITS.

Societe Generale to work with Oddo

Societe Generale Securities Services (SGSS) has signed a commercial agreement with Oddo Services to develop a joint securities services offering for medium-size wealth management players in France. These represent some 500 companies, which currently process their operations themselves or outsource them to external providers.

This offering will provide a complete range of securities services to these clients, whose total assets under management amount to several tens of billions of euros and who are operating in an increasingly competitive environment with stringent regulatory constraints.

These clients will thus benefit from an offering that is specific to their requirements, including dedicated tools. They will benefit from the expertise of two leading players in their fields: SGSS, the second-largest player in Europe for custody and trustee services, centralising agent services and fund valuation, and Oddo Services, recognised for its account management for private clients and its front office tools.

“We are very pleased with this partnership, which meets a real need in the market for high-end, competitive back-office services,” stated Tarak Achich, managing partner of Oddo & Cie and head of Oddo Services.

Alain Closier, global head of SGSS, said: “This partnership is part of SGSS’ development policy, combining organic growth, commercial partnerships and joint-ventures, to develop SGSS’ presence in 28 locations around the world”.

Maples offers middle office outsourcing solution

Maples Fund Services is to offer a suite of middle office outsourcing solutions that will enable institutional investors to efficiently and effectively implement the operations and technology required to support their increasingly complex investment strategies.

“As institutional investors increase allocations to alternatives, add complex strategies or bring them in-house, they require new systems and infrastructure to support those decisions,” said Scott Somerville, chief executive officer of MaplesFS. “Institutional investors are now very proactive and involved in assessing their operational infrastructure and are seeking new solutions that will automate the middle office and replace legacy platforms and processes.”

Maples Fund Services’ middle office outsourcing solutions, which combine leading third party and proprietary technology, provide the infrastructure and operational support required to lift out or manage in house:

- Transaction data management;
- Cash and collateral management;
- Portfolio accounting, and;
- Portfolio analytics.

“The operational and information requirements of executing strategies such as synthetic equity, portable alpha, and hedge fund managed accounts present new challenges for institutional investors,” said Tyler Kim, chief information officer, Maples Fund Services. ”Our bespoke middle office outsourcing solutions offer a robust platform for portfolio recordkeeping and data management, providing institutional investors with the reporting and transparency necessary to manage sophisticated portfolios of alternative investments.”

CACEIS gains ISO 9001 certification in France

CACEIS has obtained ISO 9001 certification for its custody services in France. AFNOR Certification, the French standardisation organisation underlined CACEIS’s dynamic approach to adapting its products, services and processes to the changing needs of its clients.

One of the other key points highlighted was the regular measurement of customer satisfaction.

This certification joins those for fund administration, middle office and reporting that were recently renewed. These certified processes involve a total of over 1,500 staff in France.

CACEIS is also ISO 9001-certified in Belgium and Luxembourg for its fund administration and transfer agency activities. The Luxembourg certification additionally covers distribution support,and regulatory and fiscal reporting activities.

These certifications demonstrate CACEIS’s continual commitment to quality which focuses on the three key aspects of reliability, innovation and productivity.

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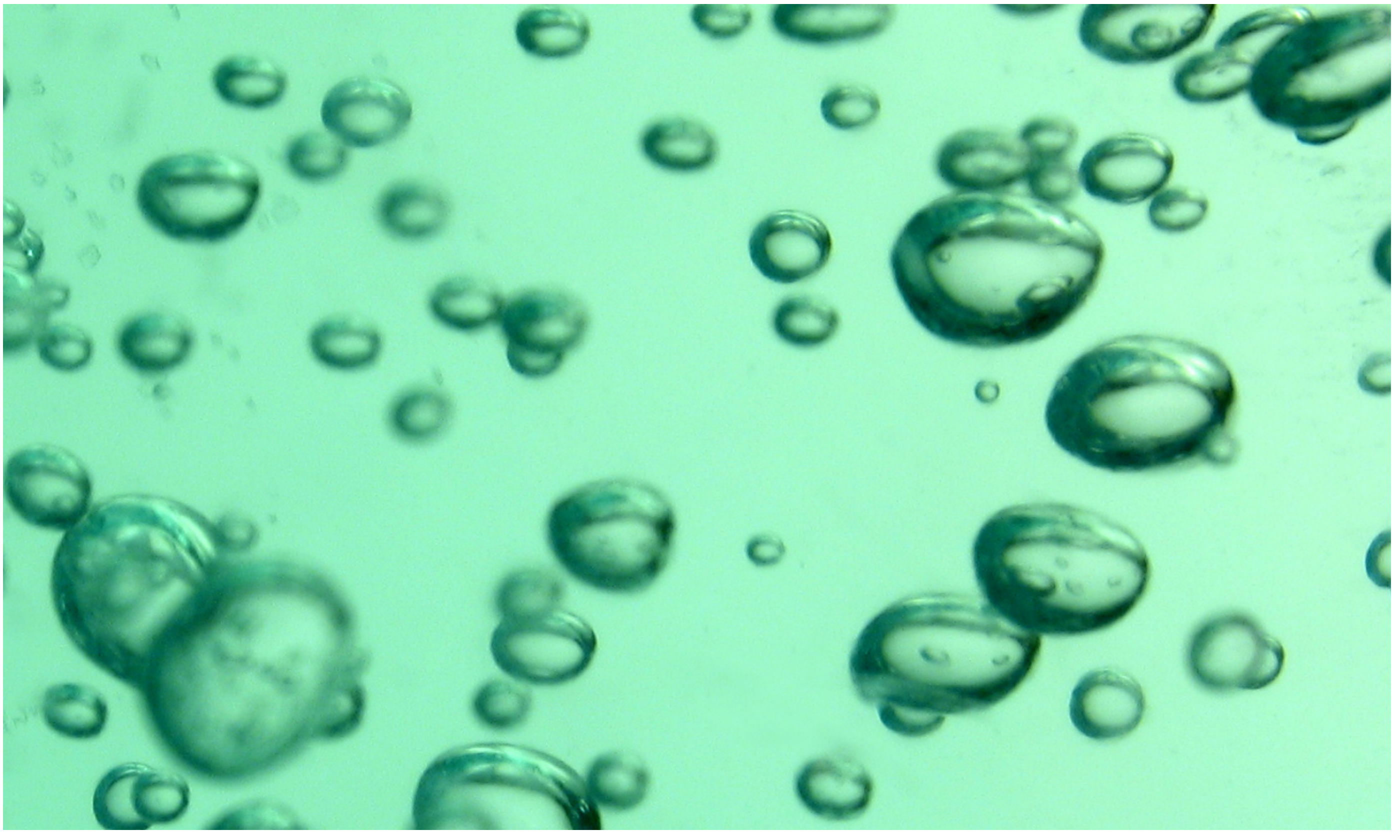

A unique alternative

Josh Galper, managing principal at Finadium, examines the role of variable NAV funds in cash and liquidity management

ANALYSIS

Variable Net Asset Value (VNAV) funds sound exotic, but their concepts have been around in one form or another for a long time: think 2a-7 funds with twists in transparency and accounting. The latest iteration of these funds comes as the US Securities and Exchange Commission has made major alterations to traditional money market (2a-7) funds, including mandating what liquidity buckets portfolio managers must use, introducing a weighted average portfolio life of 120 days, and mandating a new shadow NAV reporting system. Alongside the SEC's reporting for money market 2a-7 funds, new VNAV funds are offering benefits for the right kinds of investors in a more transparent and operationally efficient system that relies more on money manager performance and less on the trust of government mandates to ensure liquidity. While VNAV funds are not for everyone, investors should look closely at these products to see how they fit in their cash and liquidity management strategy.

The US money market industry has roughly $2.8 trillion in assets across taxable and tax-free funds, making it the second largest portion of assets in US mutual funds behind stock funds, according to the Investment Company Institute Institutional investors hold 2/3rds of these funds and over half the underlying assets held are from private companies. Any change for money market investors or the way that the funds themselves invest assets has immediate and large consequences for the US credit markets.

VNAV funds offer a unique alternative to the well-known $1 NAV funds. The $1 NAV money market fund, also called a Constant NAV or CNAV, almost always shows an accounting balance of $1 regardless of the value of underlying assets. On the other hand, the VNAV funds offer investors an actual price to buy in and sell out of the fund. The stable price of the $1 fund has been attractive to investors looking for simplified accounting and record keeping.

However, this was also a contributing factor to the substantial market failure in 2008 as the value of these funds had fallen so far, and many of the positions became so illiquid that it was not possible to redeem at $1.00 without realising losses for the remaining shareholders. Once the first fund had fallen, investors ran for the exits leading to losses and substantial intervention by the US Department of the Treasury. While rare, breaking the buck happened before in 1994 and could happen again with further turmoil in the short-term credit markets; when investing in cash products, investors need to be mindful of a world where large systemically important institutions can fail.

A primary reason for the panic that occurred was the assumption of investors that their assets were safe at the $1 NAV mark. Some investors had thought that this $1 mark was a guarantee, although this was incorrect at the time and still is. As part of rebuilding the structure of money market funds, the SEC has mandated that money markets now publish a shadow NAV, which is the actual value of assets if the fund had to be liquidated immediately. This is in effect the true value of the fund. The SEC has allowed publishing a shadow NAV to occur with a two month lag both to ensure a smooth transition for fund operations and to protect investors, who might in fact be disturbed to suddenly see their funds with market values off of the $1 value. The SEC has initiated other reforms as well including promoting transparency of holdings and specifying liquidity buckets for investments.

> VNAVs may wind up being a major buyer of commercial paper, particularly as new Basel III capital rules for banks will discourage the issuance of short term paper in favour of longer term issues

Into this mix step the VNAV funds. While the investments of a VNAV and a $1 2a-7 money market fund can be nearly identical, there are important differences in transparency and accounting. The VNAV funds publish the mark to market value of some or all of their assets, depending on the rules they are following. This is a parallel to the shadow NAV prices being published by $1 NAV funds, although the VNAV funds make this information known to investors on a daily basis. In practice, the VNAV fund price should be exceptionally close to a stable value as well and will have close ranges to the base price. However, this new transparency has substantial benefits for both investors and the market.

Much has been made about the accounting impact on investors for VNAV funds. In fact, the accounting for VNAV funds is the same as for CNAV funds, although the implications for specific investors will vary. The $1, or CNAV, funds use amortised cost accounting to keep the value of assets constant at $1. This allows investors to record no change to the value of their funds or the investment period. On the other hand, since VNAV funds use mark to market accounting with a price that changes daily, seeing the VNAV price takes out an extra step in identifying the variance between a $1 fund and the true value of its assets. It also means that investors will have additional accounting work to do on a periodic basis to account for gains and losses. This may create positive, negative or neutral implications for an investor's tax profile.

Some investors have noted concern about this accounting aspect of VNAV funds and believe that they might turn their attention towards other stable value products if $1 funds were no longer available. This has caused a backlash against VNAVs from sellers of commercial paper who worry that their products could lose their current natural buyers. These arguments have some merit, but there is no reason to think at this time that $1 NAV funds are going away; rather, VNAV funds are appearing as a supplement to this portion of the market. It is also important to note that VNAVs invest in the same products as $1 funds; a slow migration towards VNAVs will have no impact on the commercial paper market. Ironically, VNAVs may wind up being a major buyer of commercial paper, particularly as new Basel III capital rules for banks will discourage the issuance of short term paper in favour of longer term issues. As today's 2a-7 funds are limited in both their WAM and liquidity buckets, VNAV demand may step in to meet the new supply. The President's Working Group on Financial Markets has also suggested that VNAV funds might have some relief on certain accounting rules in order to strengthen the commercial paper market.

Although the SEC has made improvements, Constant NAV funds continue to have a fatal flaw that VNAV funds can help mitigate. As the SEC rules show, these funds are required to maintain a certain percentage of assets in the most liquid investments; this figure is not dissimilar from what portfolio managers held prior to 2008. The problem comes when large numbers of investors head for the exits at the same time. The earliest investors to leave will cause the fund to sell the most liquid assets leaving the remaining investors with losses as less liquid assets are sold off. It is uncertain how interested current money market investors would be to return to the market after another run; they may opt instead for Certificates of Deposit or other short term products.

On the other hand, the VNAV funds operate with a what-you-see-is-what-you-get policy. While the potential for loss exists, the daily publishing of an NAV can clearly inform investors that the price advertised is the price they would receive from a selloff. If a portfolio manager were to liquidate a fund overnight, the price on paper is the return that an investor would get regardless of if the investor were first to redeem shares or last. This is an important distinction: a VNAV fund can experience a run on the bank and still provide all investors with the advertised price without a government guarantee.

The VNAV funds have additional benefits beyond the needs of safeguarding investors. For starters, the variance between a VNAV fund and a $1 NAV fund can be an early tipoff as to the security of assets in the $1 fund; the VNAV funds could serve as the canary in the coal mine for cash investors wanting to be sure that other assets are safe. The VNAV funds can enhance liquidity in commodities or other markets where investor cash margin must be held in specified products.

VNAV funds can also serve the needs of mutual funds or other investors with a large number of shareholders looking to provide the most transparency back to their clients.

To be sure, there are investors who will continue to prefer the $1 NAV based on their accounting simplicity, and there is no harm to that. However for investors who either do not need the constant NAV or who are able to manage the slightly higher accounting requirements, the VNAV funds offer substantial improvements in transparency and safety. We recommend that cash investors take a serious look at VNAV funds as an opportunity for capturing greater transparency in their investments and security for their assets. **AST**

About Finadium

Josh Galper is managing principal at Finadium, a research and consulting firm focused on financial markets. In its research practice, the firm assists asset holders, banks and technology firms with understanding the market for asset services and in maximising the effectiveness of their resources. Finadium research is available on a subscription basis. Finadium also conducts consulting assignments on vendor selection and evaluation, market research and product strategy. For more information, please visit Finadium's website at www.finadium.com.

Josh Galper, MBA
Managing principal
Finadium

Ireland

Despite recent credit downgrades by three rating agencies, Ireland has one thing to be thankful for. Recent statistics show that the country's funds industry has achieved record growth and its players are pulling out the stops to ensure things stay that way

EXCLUSIVE

Ratings agency Moody's last week downgraded Ireland's long term credit rating from a high quality Aa2 to a below average Baa1, citing uncertainties over the economy as a key reason for doing so. The action comes days after a downgrade by Fitch from AA+ to BBB+ and a November downgrade by S&P from AA- to A.

The hole in government finances and the domestic bank failures following their exposure to the property market post-Lehman collapse are other reasons why Ireland's credit rating has slipped by up to five notches in the last few weeks.

It has also become clear that a EUR85 billion European Union rescue deal, agreed before Moody's latest rating action, has done little to calm the uncertainty.

Amidst the chaos, however, one aspect of Ireland that has continued to keep its head above water and show continued growth is the country's fund's industry. The industry was a major factor leading to the christening of Ireland as the Celtic Tiger in 1995 and today appears to be the only part of the economy that has not lost its bite. Recent statistics show a clear separation between the Dublin-headquartered international funds industry and Ireland's domestic economic issues.

According to the International Financial Services Centre (IFSC) Ireland assets under administration have reached a record high of EUR1.8 trillion, up from EUR1.35 trillion a year ago. Ireland administers the funds of 852 promoters from 52 countries. Over the last year, 70 new promoters from 14 countries have launched funds in Ireland with total assets in those funds of over USD21 billion. More than 40 per cent of global hedge fund assets are administered in Ireland.

The country has also had 747 new fund and sub-fund launches from October 2009 to September 2010.

While Dublin enjoys record growth in its funds industry, the financial crisis appears to have had little threat to its status as a domicile that has attracted scores of investment funds and administrators from various OECD countries in the last 15 years.

"The sector is aligned principally to the global fund industry and therefore the global economy," says Ken Somerville, head of business development at local fund administrator Quintillion. "I don't see this changing."

What might have possibly threatened the industry as a result of the financial crisis is that non-Irish fund managers will have avoided Irish custodian banks for their funds. But this has had little impact since numerous other foreign banks that offer custodial services out of Ireland can and are fulfilling that function.

The increase in the corporate tax rate from 12.5 per cent as a condition of the EU bailout could have also had a disastrous impact since foreign owned companies that were established in Ireland were established primarily because of the tax advantages. This attraction is what spurred the growth of the IFSC. "The loyalty of such companies is measured in percentage points and, if the tax rate was increased and those companies could get a better tax rate elsewhere, then you wouldn't see them for dust," says Dermot Butler, chairman of Custom House Administration and Corporate Services. "However, that threat seems to have passed for the moment, and so we can discount it." Even after the increase of the corporate tax rate, Ireland still has one of the lowest headline corporate tax rates in the OECD.

Dermot Butler: The only drawback that Ireland has, which is one that it had before the 2007/2009 debacle, is that the cost of operation in Dublin is still very high, although some of those costs are being squeezed

The Alternative Investment Fund Management (AIFM) directive, which was approved by the European Parliament in November, has already spurred fund managers to set up Undertakings for Collective Investment in Transferable Securities (UCITS) in Ireland and subsequently generated a lot of work for fund service providers. The directive was originally aimed at hedge fund managers as a result of concerns raised over perceived excessive financial risk-taking and the inadequacy of the regulation of those managers. The draft directive will apply to fund managers of hedge funds, private equity funds, commodity funds, real estate funds and infrastructure funds that are not regulated under the UCITS directive. UCITS are sometimes referred to as 'newcits' and are an alternative to hedge funds that offer greater transparency, simpler trading and better regulatory oversight.

Some managers have also set up Professional Investor of Qualifying Investor Funds, which are understood to have a cheaper cost of operation than the UCITS.

The one thing that may drive service providers out of Ireland is the costs of operation associated with some funds. Jurisdictions such as Malta, for example, are said to offer cheaper operational costs. However, says Butler, Ireland has taken several steps to enhance their business, as a result of the crisis, including reducing the minimum investment level of the QIF, and making it possible for an offshore fund to redomicile into Ireland.

"The only drawback that Ireland has, which is one that it had before the 2007/2009 debacle, is that the cost of operation in Dublin is still very high, although some of those costs are being squeezed," he says. The Irish funds industry should continue to grow, he adds, providing it can contain costs.

While funds' operational costs remain high, the cost of doing business in the fund servicing industry has come down. This is a welcome outcome of the downturn, says William Slattery, executive vice president and head of Ireland at State Street. The cost of doing business has dramatically improved and it is likely to result in a significant expansion in the numbers employed in the sector over the next 10 years, he continues.

Christina McCarthy, senior vice president, Maples Fund Services in Dublin agrees that the fund servicing sector has enjoyed a strong recovery in the course of the last two years as a result of reduced business costs and the positive effect being witnessed in the industry's record growth. "The statistics are proof that the economic crisis has had no impact on Ireland as a fund domicile," she says.

The trend towards launching Irish authorised funds in record numbers in the last 12 months is set to continue. Recent figures from the Central Bank of Ireland reported that the value of Irish domiciled investment funds had reached EUR899 billion at the end of August 2010. This represents a 20 per cent increase in the value of Irish domiciled investment funds since the beginning of 2010 and an increase of 27 per cent from the same time last year. EUR899 billion is a new high for the total value of Irish domiciled funds, which now well exceeds the previously reported high of EUR850 billion in October 2007. "The Irish government remains firmly committed to the competitiveness and further development of the funds industry in Ireland," says McCarthy.

Despite the growth in the Irish fund's industry, its participants are not complacent. In fact, the domestic crisis, and the negative perception of the country as a result, has made the industry conscious of the need to maintain market share. As Sommerville says: "It is incumbent on each commercial participant in the space to counter this in an effective, transparent and compelling way with their existing and prospective customers."

Clara Dunne, CACEIS senior country officer in Ireland, says the government recognises that the international financial services industry is a key driver of growth and a developer of employment opportunities in the country. "They also have put in place legislation to allow offshore funds to be redomiciled to Ireland," she adds. "Competition in the Irish funds industry is now at an all time high but, given the local economic climate, there is still capacity to grow."

Despite the growth in the Irish funds industry, it continues to work with government authorities to make sure that the message that Ireland is open for international business is communicated to an international client base.

Christina McCarthy: The statistics are proof that the economic crisis has had no impact on Ireland as a fund domicile

It also recognises that there is always room for improvement and steps have to be taken to ensure the business does not go elsewhere. "In the current environment there is a lot of focus internationally on regulation and transparency," says McCarthy. "The industry coupled with a proactive Central Bank is constantly developing the legal and regulatory environment necessary to provide product solutions and opportunities in order to ensure the continued sustainability of the industry in Ireland."

What would also help maintain Ireland's status in the international funds industry, says Sommerville, would be if the country were to devise a Cayman style fund structure. Here funds may be formed as companies, partnerships or unit trusts according to investor requirements, which are often tax related in their home jurisdiction. For example, funds in which US taxable investors will invest directly tend to be formed as limited partnerships, funds that target European and South American investors tend to be formed as corporate funds and funds that target Japanese investors tend to be formed as unit trusts.

There are many structures utilised in Cayman, including stand-alone, side-by-side, master/feeder, multi-class or series, umbrella and fund of funds.

There are no capital gains, income, profit, corporation or withholding taxes or any legal restrictions on the investment policies and strategies of funds in Cayman.

Despite the work that needs to be done to maintain Ireland's status, the market remains confident about the future. "We are fortunate that the fundamental drivers of our business - including demographics in our key markets and the need to provide pension funding - remain strong," says Slattery. "I am confident that the funds industry in Ireland will continue to prosper for many years to come."

McCarthy concludes: "A continued focus on competitiveness and by staying abreast of regulatory developments will enable the industry to develop and enhance product offerings necessary to meet the demands of an international industry." **AST**

15th Global Securities Financing Summit

Date: 19-20 January 2011
Location: Luxembourg
Website: www.clearstream.com

The Global Securities Financing Summit is the largest gathering of participants from the international repo and collateral management community in the world.

17th Annual Beneficial Owners' International Securities Lending and Repo Summit

Date: 13-16 February 2011
Location: Scottsdale, Arizona
Website: http://secure.imn.org

The largest, only must-attend event for the beneficial owner community 450+ attend annually, including over 125 beneficial owners

International Transfer Agency Summit 2011

Date: 15-18 February 2011
Location: Luxembourg
Website: www.icbi-events.com/itas

On the 10th anniversary of the event, the conference will focus on the key challenges in fund distribution, fund operations and transfer agency services.

Network Management 2011

Date: 15-16 June 2011
Location: Dubrovnik, Croatia
Website: www.icbi-events.com/nema/

Over 300 delegates will be attending the 11th network management conference at a venue to be announced.

European Clearing and Settlement

Date: 29-30 June 2011
Location: London
Website: www.icbi-events.com/ecs/

An expected wave of European regulation; more competition; pressure on costs and fees; a new focus on risk – all this and more will covered at ICBI's flagship 17th annual clearing and settlement event.

Sibos 2011

Date: 19-23 September 2011
Location: Toronto
Website: www.swift.com/sibos2010/sibos_2011.page

The must attend annual event for asset servicing professionals moves to Toronto for 2011.

Industry Appointments

Edwin Parker has been appointed director of business development EMEA at fund administrator Butterfield Fulcrum.

Parker will start in February 2011 and be based in the London office, which has recently relocated to Mayfair.

He will be responsible for identifying and developing strategic partnerships to strengthen and expand Butterfield Fulcrum's client base throughout Europe and its surrounding emerging markets.

Michael K. Clark, chief executive of Butterfield Fulcrum, said: "Edwin has the expertise to leverage on the success of our EMEA business and play a significant part in driving it to the next level. He brings more than 12 years experience in the offshore financial services industry and fully understands the fund administration needs of alternative investment firms in a rapidly changing and highly demanding global marketplace."

BNY Mellon Asset Servicing has appointed **Jon Willis** as head of EMEA Transfer Agency Services, with responsibility for the company's UK and offshore transfer agent activities.

Willis will report to Paul Bodart, head of global operations for EMEA. He joins BNY Mellon from International Financial Data Services (IFDS), State Street and DST System's joint venture global transfer agency business, where he held a number of senior roles over the past 12 years, most recently chief administration officer and head of transfer agent operations.

Andy Bell, chief operating officer at BNY Mellon Asset Servicing, said: "We are delighted that Jon has joined our organisation in this important role. Transfer agency is a key focus for us when it comes to supporting our clients' expanding needs with a full range of innovative solutions. Jon has a deep understanding and knowledge of the global transfer agency business and his decision to join us underlines BNY Mellon's strategic commitment to our transfer agency offering in EMEA and beyond."

Paul R. Touchstone, CFA, has been promoted to senior investment strategist and portfolio manager for Stone & Youngberg's Private Client Group.

BNP Paribas has appointed **Peter Albano** as head of investor relationship management for hedge funds and institutions, Americas (IRM.) Albano is based in New York and reports locally to Chris Innes, head of equity sales, North America and Kip Testwuide, head of fixed income origination and distribution, Americas. He also reports globally to Talbot Stark, global head of investor relationship management for hedge funds and institutions.

Peter joins BNP Paribas with over 20 years of international capital markets experience, most recently with The Royal Bank of Scotland as head of financial institutions, Americas. Prior, he was with Bear Stearns for 17 years where he held senior management roles in fixed income sales and trading, ultimately responsible for credit sales for the Americas and emerging markets sales globally.

Robert Earl also joins BNP Paribas as a managing director focusing on hedge funds. He reports to Chris Lane, head of the Americas hedge fund relationship management team. Robert has 19 years of capital markets experience focusing on institutional client relationships. He began his career at Goldman Sachs before joining Barclays Capital and later co-launching Vernon Square Capital.

Chantale Goyette also joins the IRM team as a relationship manager for Canada. She joined BNP Paribas in 2007 and has since served in Fixed Income rates and structured credit sales positions.

Commenting on the appointments, Talbot Stark said: "We look forward to further growing our client business in the global spectrum under the leadership of Peter and with the addition of Robert and Chantale. BNP Paribas' client business has benefited from its expanding international capabilities, financial strength and the 2008 purchase of Bank of America's prime brokerage unit."

Gavan McGuire has been hired as head of business development at Centaur Fund Services, an alternative investment fund administrator.

McGuire, who will be based in London, joins the firm from Citi, where he was director of alternative investment services sales and relationship management.

Ronan Daly, chairman of Centaur, said: "Centaur was founded on the principle of increasing the levels of transparency and service for the funds investors and fund directors. Our service relies on the high quality and experience of our management team. Gavan fits that bill perfectly, and his track record and profile in the industry make him ideally placed to help us build on our momentum."

Don MacNeil has joined Kellner DiLeo as senior vice president of its securities lending group. In his new role, MacNeil will focus on ADR and Canadian equity opportunities for the firm's matched book securities lending strategy, KDC Alpha. MacNeil comes to KDC with more than 18 years of experience in the securities lending business.

Most recently, MacNeil served as director of the Prime Brokerage division for BNP Paribas, and was responsible for daily securities lending coverage of Canadian and ADR securities. Additionally, he was the primary point of contact for BNP's prime brokerage clients.

George Kellner, CEO of Kellner DiLeo & Co., said: "We are delighted that a person of Don's background and extensive experience has joined us as we continue to build out certain key roles within the securities lending team."

Don MacNeil added, "I am pleased to have the opportunity to work with a group of highly regarded industry veterans and look forward to leveraging my experience within the securities lending business to enhance KDC's existing processes and to build out new relationships for the firm."