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Investors driving consolidation

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Consolidation is driving managers to change their fund administrators after launching funds in international domiciles, according to a recent survey from FundDomiciles.com.

In addition, international investors are expected to have greater influence on managers' domiciliation and fund servicing decisions, while offshore centres will prosper and gain market share, noted the three-year forecast.

23 per cent of interviewees work for managers that have changed their fund administrator. Consolidation was given as the chief reason for this, cost was the second most common reason with poor service being third. However, only eight per cent of the managers interviewed expressed some dissatisfaction with their administrators but did not say that this necessarily meant they were about to switch.

On a scale of one to 10, fund administrators scored 6.79 for the services they provide. Guernsey was the jurisdiction that scored highest for fund servicing provision, at 3.8 out of 5, Malta and Bermuda shared the next spot at 3.5.

One area that saw a significant increase was investor due diligence on a managers' service provider since the Madoff scandal and market crisis. 70 per cent of respondents said that the level of investor interest in service providers has increased since 2008 though the remaining 30 per cent said that interest was substantial before the market events and scandals.

In practice, investors are asking for more operational details, though verification varied from rigorous onsite checks through to just being comfortable with the service provider's name. Additionally, managers reported that investors wanted more consolidation allied to a general rise in standards and that this will likely be the story for the next three years. 75 per cent of interviewees expect fund administrators to consolidate.

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CACEIS to buy EFG's FA business

EFG International has agreed to sell its fund administration business, Swiss Investment Funds, to CACEIS. SIF is one of the six largest third-party fund administrators in French-speaking Switzerland, administering Swiss investment funds on behalf of its clients.

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Euroclear sees 10 per cent turnover lift in 2011

Euroclear clients settled transactions valued at a record €580.6 trillion in 2011, up 10 per cent year-on-year. Assets deposited for safekeeping and asset servicing with both the CSD and ICSD came in at €22.1 trillion, also a record.

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CACEIS to buy EFG's FA business

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The agreement covers some 20 funds, accounting for over CHF 800 million in assets. The decision by EFG International to exit the business is as a result of its detailed business review, and its desire to focus on its core business of private banking.

Deputy CEO of CACEIS, Joe Saliba said: "The take-over of SIF Swiss Investment Funds' business fits well with the CACEIS Group's international development strategy and also serves to strengthen CACEIS's position considerably in the Swiss market."

Managing director of CACEIS, Switzerland, Philippe Bens added, "Through this operation, we gain a large, high-calibre client base, which will benefit from being part of a powerful international service provider with proven local expertise. And with CACEIS' extensive business migration experience, we will be able to ensure uninterrupted client service at all times, through a seamless integration process."

Euroclear sees 10 per cent turnover lift in 2011

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Operating performance fluctuated among the Euroclear entities with some experiencing year-on-year gains in some measures while declining in others.

Most of the operating results for Euroclear Bank reached record levels. Securities held in custody for clients rose by three per cent to €10.8 trillion while the number and value of processed transactions saw a significant jump, both up at some 25 per cent y-o-y, reaching 59.4 million valued at €328.5 trillion.

Triparty collateral management deals outstanding administered by Euroclear Bank at the end of 2011 averaged €324.1 billion, seven per cent more than the €302.9 billion per day at the end of 2010.

"Volume increases in 2011 slowed in comparison with previous years as banks deleveraged their balance sheets. In addition, central banks continued to serve as the primary sources of liquidity for the banking community, thereby reducing the level of interbank securities finance deals during the year. Nevertheless, Euroclear Bank has attracted a broader range of clients for its triparty collateral management services as the need for secured financing continued to gain momentum," the company wrote in a statement.

Turnover, or the value of securities transactions settled, lifted at Euroclear France, Nederland, Belgium, Sweden, Finland and Xtracter and declined in Euroclear UK & Ireland. Euroclear Belgium saw the biggest increase in turnover with an 18 per cent rise in 2011 to a record €588 billion compared with €498 billion in 2010. Euroclear Ireland & UK saw turnover drop nine per cent to €153.1 trillion though securities held for clients increased four per cent to a record equivalent of €4.0 trillion.

Tim Howell, CEO, said: "The outstanding operating results we achieved in 2011, particularly during such volatile and tense global capital markets, is clear indication of the market's recognition of Euroclear's strengths."

HSBC launches 3rd party clearing in Japan

HSBC Securities Services has launched its Third-Party Clearing service in Japan. Local and cross-border broker dealers will be able to outsource their securities back-office operations to HSBC.

With a market capitalisation of over $3.5 trillion and a daily average turnover in excess of $12 billion, Japan is the largest unrestricted market in Asia. However, under the current market conditions, the daily average turnover has been decreasing and this put even more pressure on broker dealers' operating costs as they see lower revenue but same level of fixed costs from market infrastructure and service providers.

As a General Clearing Member (locally called "Agency Clearing Qualification") of the Japan Securities Clearing Corporation, HSBC will perform the clearing and settlement function and associated processes for broker dealers, while the obligation to the clearing house for settlement purposes is also transferred to HSBC.

"This new service has further strengthened HSBC Japan's position as a one-stop solution provider for securities services in Japan and will enable us to provide an integrated offering to both local and international broker dealers," said Rajesh Atal, head of HSBC Securities Services, Japan.

Citi awarded hedge fund services mandate from Veritable

Veritable has awarded Citi a mandate to provide a suite of hedge fund services including middle office, fund accounting, and investor services. Veritable is among the largest independently owned Registered Investment Advisors in the United States providing integrated investment solutions for families of substantial wealth.

"We chose Citi based on the quality of their staff and the level of transparency their technology systems will provide us," said Charles Keates, partner, general counsel and chief compliance officer of Veritable. "Citi understood our unique business needs and their technology and service model can enable us to focus more resources on investments and servicing our investors."

Citi's web-based middle office monitor allows Veritable's operations and accounting staff, along with portfolio managers, to monitor trades and positions on a real-time basis through a secure website. In addition, portfolio data is continuously updated and available to Veritable's accounting, research, risk and fund administration teams, allowing them to run customised reports and make ad hoc inquiries.

"Veritable is a leader in its space and we look forward to providing these services and technology to support the further growth of their business", said Bob Wallace, head of North America for Securities and Fund Services, Citi. "We are truly pleased that we have the opportunity to demonstrate the value of our expert staff and technology to Veritable."

Ipes Luxembourg wins Constellation III mandate

Independent Swiss private equity company, Constellation has selected Ipes as the administrator for its Constellation III German Asset Light Fund.

The fund, which will focus on investing in growth companies in the service sector in German speaking Europe, reached its successful final closing in early December 2011. Ipes Luxembourg will provide a complete range of services for the fund, including domiciliation, central administration, registrar and transfer agency services and the provision of directors.

Marinus Schmitt, associate director at Constellation said "Looking ahead we wanted to partner with a firm with the skills and flexibility to adapt to our changing requirements. An established presence in Luxembourg with a specialist background in private equity was also important to us."

"Ipes ticked all these boxes and also came highly recommended by one of our partners who had worked with them previously. What's more they ensured that our account team included German language skills which were of particular importance to us given our investment focus and investor base."

Simon Henin, managing director for Ipes Luxembourg said: "We were delighted to be selected by Constellation. Winning this mandate is positive for both our firm and the jurisdiction more generally underlining Luxembourg's growing reputation as the EU domicile of choice for PE funds. The firm has an excellent reputation in Europe and we look forward to working with Marinus and the team on the next stage of their fundraising".

SunGard helps firms avoid fails

SunGard has enhanced post-trade solutions in response to recent US regulatory recommendations which will see firms penalised for mortgage and agency debt fails. Stream Fail Monitor will help financial services firms comply with the expansion of the Treasury Market Practice Group (TMPG) penalties, which are for now limited to US treasuries.

The solution receives all fails from a customer's trading systems, helping the firm identify fail trends by security and monitor counterparty risk across multiple platforms. In addition, the solution applies the appropriate penalty interest rate to fails based on the TMPG's rules. Stream Fail Monitor also identifies receivables and payables and prepares interest claims.

John Grimaldi, EVP of SunGard's North American securities operations and securities finance business, said, "As the industry looks for ways to reduce systemic risk, financial services firms need a way to quickly identify and control key sources of risk, such as trade fails. Stream Fail Monitor easily identifies fails from multiple sources across all asset classes, helping firms monitor their exposure and be ready for new industry rules."

Monsoon Capital picks SEI for FA

SEI is selected by Monsoon Capital to provide full fund administration and trustee and custodial services for the US-based asset manager's UCITS IV fund.

Gautam Prakash, founder and senior managing director of Monsoon Capital, said, "SEI stood out for us as a strong partner due to its independence as an administrator, the quality of its technology, and its ability to provide flexible and tailored reporting to support our specific needs. We very much look forward to working with SEI as we continue to grow our asset base and add new alternative strategies in the UCITS format."

Given Monsoon's systematic and quantitative trading approach, SEI's technology, which delivers a straight-through, automated process for trade reconciliation, was a key factor in the manager's decision. Monsoon will also receive comprehensive data management, performance, and risk reporting via SEI's Manager Dashboard. The online tool provides Monsoon with the flexibility to tailor reporting to better support the firm's unique business decision-making process.

Philip Masterson, SVP and head of business development, Europe, within SEI's Investment Manager Services division, said, "SEI has the technology, expertise, and track record to support high-frequency trading in a controlled environment, thereby reducing managers' business risks. Some clients' trading volume reaches peaks of 120,000 trades a day, and Monsoon found our process compelling. By providing automated and scalable technology from trade entry through back-end reconciliation, we enable Monsoon to focus on managing investments and creating a better experience for its investors."

Canada's CSD holding up Maple bid for TMX

Competition concerns have pushed back Maple Group's bid for Canada's national exchange one month as regulators mull over pricing implications for the Canadian Depository for Securities (CDS). As part of the bid, Maple would take control of CDS and change it to a for-profit model as opposed to its current cost recovery model.

Speaking to Reuters, Peter Block, spokesman for Maple, said the group's recent submissions on pricing for CDS should allay concerns raised by regulators and market participants.

"We certainly believe that it is possible to have a competitive, fair CDS that is still profitable in a for-profit model without it coming at the expense of market participants just paying more for the same thing. That's never been our intent."

Maple is a consortium of 13 of Canada's financial institutions and pension funds. Apart from taking over CDS, Canada's dark pool, Alpha, is also up for grabs. That would mean that TMX's largest competitor would come under the same ownership. Moreover, some Maple investors are also Alpha owners. The links raise competition concerns which will require regulatory approvals from securities regulatory authorities and the Commissioner of Competition.

Speaking on behalf of Maple, Luc Bertrand said, "We continue to believe the Maple transaction will substantially benefit Canada's capital markets and its participants, improve the ability of market participants to manage risk and encour-


Time Flight Destination
15:10 OTP 8361 BUCHAREST
15:20 WAW 8369 WARSAW
15:30 SVO 0418 MOSCOW
15:35 BUD 5372 BUDAPEST
15:40 PRG 0623 PRAGUE
15:50 KBP 102 KIEV
16:00 SOF 462 SOFIA
16:15 BUD 5372 BUDAPEST
16:30 PRG 0623 PRAGUE
17:15 KBP 102 KIEV
17:20 BTS 0667 BRATISLAVA
17:30 SOF 462 SOFIA
18:10 OTP 8361 BUCHAREST
18:20 WAW 8369 WARSAW
18:30 SVO 0418 MOSCOW
18:35 BUD 5372 BUDAPEST

age the development of new offerings. We are committed to the transaction and are working diligently to obtain the required regulatory approvals. To this end, we are in ongoing discussions with the regulators and have made numerous submissions to them, including recently submitting a proposed CDS pricing model and proposing remedies to address concerns regarding equities trading."

Maple's CAD 3.8 billion offer is part of an integrated acquisition transaction to buy out TMX. The extension to 29 February is for the first phase of acquiring a minimum of 70 per cent and a maximum of 80 per cent of the group's shares.

"Maple is continuing to seek to resolve outstanding issues and concerns raised by the securities regulatory authorities and the Competition Bureau. However, there can be no assurance that remedies short of a Material Detriment will address the issues and concerns raised by the securities regulatory authorities and the Commissioner or that the required regulatory approvals will be obtained," Maple said in a statement.

BBAC successfully implements Misys BankFusion

BBAC has successfully implemented Misys BankFusion Equation across 38 branches, which will allow the Lebanon-based commercial bank to develop applications and introduce new products quicker.

BankFusion provides intra-process flexibility; for example, it is easy for a bank to use BankFusion to change the steps in their customer acquisition process. BBAC upgraded to make sure it was benefiting from the latest technology and to take more control over its own product development. The bank's staff can now re-use any of the existing functionality and build new processes without the need for complex reprogramming.

"BBAC's mission is to understand the financial needs of its clients and do everything possible to satisfy those needs," states Sheikh Ghassan Assaf, chairman and general manager of BBAC. "Misys has worked closely with us for many years and has helped us go live with Misys BankFusion Equation in a matter of months, giving us the flexibility to adapt our processes to suit the demands of our customers. We are confident that with BankFusion we will be able to keep ahead of our competitors and provide better service to our customers at the same time as reducing cost/income ratios."

In the next phase of the roll out, BBAC will upgrade its main two international branches in Cyprus and Iraq.

BNY Mellon automates hedge fund admin

BNY Mellon has enhanced its loan administration functionality to offer hedge funds and fund of hedge fund clients an automated solution with increased transparency.

The service will integrate BNY Mellon's alternative investment and fixed income systems to provide an end-to-end administrative solution from pre-settlement to post-settlement services. Through proprietary technology, clients will have access to STP for trade instructions, security master creation, cash flows and loan specific information, gaining transparency of their syndicated loan portfolio. In addition, the firm is live with many of the loan market initiatives with DTCC and others which aid the reconciliation and settlements of this asset class.

Brian Ruane, BNY Mellon CEO of Alternative and Broker-Dealer Services, said, "By working closely with our corporate trust business, we have been able to develop a best of breed offering which addresses the specific needs of our clients allocating to fixed income."

Debra Baker, head of US Financial Institutions, BNY Mellon Corporate Trust, said, "These advanced reporting packages leverage our expertise in both alternative fund and syndicated loan administration to enable clients to better manage their portfolios and offer increased transparency to their clients."

Misys fuses IBM into platform

Misys has selected IBM software to help power its BankFusion platform so that banks can develop new processes or adapt existing processes faster and better.

Under the licensing agreement, Misys is incorporating IBM business analytics, information management and application server software, including Business Process Server, into its BankFusion platform. As a result, clients will be able to install a proven, certified process management technology without the need for additional integration and testing of banking applications.

Robin Crewe, CTO at Misys, said, "BankFusion already provides outstanding intra-process flexibility; for example, it is easy for a bank to use BankFusion to change the steps in their customer acquisition process. The addition of IBM Process Server to the platform will give us extremely powerful inter-process flexibility; this is particularly useful for so-called 'long running processes' where the steps in the process are disconnected or run in parallel."

For example, a loan approval process could involve several internal approvals as well as an external credit check and receipt of an external assessor's approval of a collateral valuation; IBM Process Server enables Misys to orchestrate this sort of process flow very easily and flexibly.

"The new capabilities provided by IBM will be helpful to banks in all tiers. Tier 3 and 4 banks will in particular benefit by buying a pre-integrated solution that can cover hardware, middleware and rich application software. Tier 1 and 2 banks will also benefit from these capabilities but we expect they will be attracted more by the proven scalability of products like [IBM's] DB2 and IBM process serve," he adds.

Misys is also adopting IBM's Information FrameWork and will work to ensure that the processes developed within its BankFusion solutions follow the framework's comprehensive business and data models. This will enable Misys to accelerate the development of new banking processes. It will also help clients, who are following a model-based approach to the renovation of their banking systems, by providing them with an out-of-the-box set of software that helps simplify their business models.

"Financial services clients are looking for faster and simpler ways to modernise core banking systems while keeping technology costs in line with growth strategies," said Arvind Krishna, general manager, IBM Information Management. "The combination of Misys and IBM software can help clients better manage and analyse their data to meet these goals and set the stage for new products and services that provide a competitive advantage."

CFTC gives passing grades to 14 FCMs

The Commodity Futures Trading Commission (CFTC) found the top 14 futures commission merchants (FCMs) compliant with requirements to segregate customer funds. The limited review covered this and the FCMs' obligation to set aside in secured accounts funds deposited by customers for trading on foreign boards of trade.

Late last year, after the collapse of MF Global, the CFTC initiated a coordinated review with the Chicago Mercantile Exchange (CME) and National Futures Association (NFA) of all FCMs that carried customer funds to assess compliance with the protection of customer funds and CFTC regulations.

In order to obtain an immediate "snapshot" of each FCM's compliance with regulations, staff of the CFTC's Division of Swap Dealer and Intermediary Oversight (DSIO), CME, and NFA did not conduct an audit, which would entail a more detained and lengthy examination of the FCMs. The limited reviews relied to a great extent on the records and third-party source documents maintained at the FCMs.

Staff did not confirm balances directly with depositories or other entities holding customer funds. However, several FCMs reviewed by the CME were subject to more detailed testing procedures, as the special limited reviews were incorporated into CME's routine FCM examinations already in process during November and December 2011.

The Commission directed CFTC staff to conduct limited reviews of 14 of the largest FCMs to determine whether the entities maintained sufficient assets in segregated and secured accounts to meet their regulatory obligation to futures customers. The CME and NFA conducted similar reviews of the remaining 56 FCMs.

The limited reviews of the 70 FCMs found that, as of the review date, each firm maintained assets in the relevant segregated accounts in excess of the net liquidating equities of each of its customers as required under regulations. The limited reviews further found that, as of the review date, each FCM maintained assets in relevant secured accounts in excess of the aggregate margin required on all customers' open futures positions, plus any unrealised gains and less any unrealised losses on the open positions, as required by regulations.

Other findings showed that the FCMs held a total of approximately $166 billion in segregated accounts, which was approximately $13 billion (or nine per cent) in excess of the $153 billion owed to customers. The FCMs also held approximately $48 billion in relevant secured accounts, which was approximately $7 billion (or 17 per cent) in excess of their obligation.

Ffastfill moves in with ASX

Ffastfill will be adding its SaaS (software as a service) infrastructure and services within the Australian Securities Exchange's (ASX) new data and colocation centre, the ASX Australian Liquidity Centre (ALC). It is expected to become operational on 20 February.

The ALC is a purpose-built data centre designed to meet the demands of ASX participants and service providers for the lowest latency access to ASX execution and information services. The ALC will allow ASX to significantly extend the availability of hosting services to ASX participants, vendors and the broader financial market community.

By having its SaaS infrastructure within the ALC, FFastFill will be able to provide domestic and international trading participants with the lowest latency connection to the Australian Futures Market.

Ian Le Noury, FFastFill director of business development and customer management, Asia Pacific, said, "The ASX ALC in conjunction with FFastFill's enhanced SaaS technology will provide superior execution for our global trading community through the low latency setup. This setup will allow traders to reduce latency, no matter where they are located within the FFastFill global infrastructure, and enable traders to make the most of our new spreading technology, SpreadIntelligence, and FFastFill's enhanced order release mechanisms."

State Street expands ETF servicing

State Street has announced the expansion of its global servicing capability for ETFs using cloud-enabled technology. The solution, TotalETF, is fully automated throughout the lifecycle of an ETF from the basket-creation process to trade processing and settlement.

"TotalETF will help solve all potential administrative pain points for ETF sponsors globally," said Frank Koudelka, senior vice president of State Street's Global Services business.

The ETF dashboard on my.StateStreet.com now allows portfolio managers to monitor the basket near real-time, and geographic expansion of Fund Connect ETF order management system includes coverage for Europe, Canada and the Asia-Pacific region. The enhanced daily performance attribution capability also allows for NAV decomposition to break down tracking error into specific components.

Extranet spend to reach $2.3bn in 2012 - TABB Group

Pressure to manage connectivity across fragmented global markets will see sell side firms spending some $2.3 billion this year on extranet and extranet connectivity, according to research and estimates from TABB Group.

Extranet services providers (ESPs) provide connectivity on demand which eliminates the need to internally manage a costly network of point-to-point connections, explains Alexander Tabb, partner at TABB and author of the research report.

He adds that while the idea of trading equities on the Johannesburg Stock Exchange, or hedging US dollar interest rates in Singapore seems like a great idea, setting up the necessary infrastructure to do that can be overwhelming, even for the most sophisticated firms.

"Whether it's a small buy-side firm looking to connect to its brokers, a large sell-side bank that wants to reduce the operational complexity of its communications infrastructure and connect to the broader financial services community, or the new upstart ISV [independent software vendor] looking to gain access to new potential clients, extranets can serve all of these scenarios with minimal, up-front investment and the option to add capabilities on demand."

FIA committee to look at MF Global failures

The Futures Industry Association (FIA) has announced the establishment of a special committee to address issues related to the MF Global collapse. The Futures Market Financial Integrity Task Force will develop and recommend specific measures that can be implemented in the near term through both industry best practice and regulatory change.

In addition, the FIA intends to work with end-users and other market participants to examine the adequacy of current customer funds protection models in response to concerns raised by the MF Global bankruptcy.

"The FIA looks forward to partnering with end-users, regulators, legislators and clearinghouses to restore customer confidence in the futures markets," said Michael Dawley, chairman of the FIA and managing director, Goldman Sachs. "Although we still do not know for certain what caused the significant shortfall in customer segregated funds required to be held at MF Global, any loss of customer assets is entirely unacceptable and the reasons for the deficiency need to be identified."

MF Global's trustee revealed that some $1.2 billion could be missing from customer accounts and the US regulator, the Commodity Futures Trading Commission (CFTC) began an investigation shortly after.

The FIA task force will be headed by a steering committee consisting of a diverse group of futures commission merchants (FCMs) with institutional, commercial and retail customer bases as well as representatives of other industry segments. Initial recommendations are expected to be presented no later than the FIA International Futures Industry Conference in mid-March this year.

In particular, the task force will consider such areas as: enhanced financial recordkeeping and reporting requirements; greater transparency regarding the investment of customer funds; internal control standards for the customer funds segregation process; and the adequacy of customer funds protections in the US and abroad.

"The FIA is committed to producing practical and meaningful recommendations that regulators and FCMs can implement to further protect users of the listed derivatives markets," Dawley said. "While some of these recommendations may require regulatory change, the FIA believes that many improvements can and should be implemented by the industry as soon as practicable."

The FIA expects that the task force's recommendations will be considered and implemented in conjunction with other initiatives announced in response to the collapse of MF Global as well as the enquiry being conducted by the CFTC.

The following firms have agreed to participate in the steering committee: Bank of America Merrill Lynch, Barclays Capital, Citigroup Global Markets, CME Group, Credit Suisse Securities, Deutsche Bank, Getco, Goldman Sachs, HSBC, IntercontinentalExchange, J.P. Morgan Securities, Morgan Stanley, Newedge and R.J. O'Brien & Associates.

FESE to standardise post-trade equity data

The Federation of European Securities Exchanges (FESE) has announced the development of common standards in an effort to restore post trade transparency.

A broad spectrum of the industry, such as the London Stock Exchange Group, BATS Chi-X Europe, Markit Boat and the main data vendors: Thomson Reuters, Bloomberg, Fidessa, NYSE Technologies and SIX Telekurs, have been working for most of this year to achieve a practical and common solution for standards on post-trade equity data.

Though participants have different views on some issues, they are united in the basic belief that the industry can and should act to improve the consistency and comparability of data from different sources.

This has led to the Market Model Typology (MMT) project, a model which can be immediately adopted and used by vendors and their services. MMT provides a translation between legacy trade reporting flags to a newly defined single market standard. The translation is being adopted by MMT participating vendors on behalf of investors who seek clarity in monitoring market activity.

Among other benefits, MMT will enable investors to accurately monitor market events by standardising how these events are identified across a fragmented market for the first time since the introduction of MiFID and it offers a practical solution ahead of MiFID II.

"This MMT initiative provides an immediate solution for users of consolidated data from the participating Regulated Markets and MTF's through the various applications provided by the participating data vendors. This is a significant step forward in the efforts to standardise trade data and allows investors to accurately monitor market activity. The clarity provided will also help inform users on the ongoing efforts and prove the benefits of standardisation," said FESE.

Algorithmics integrates Axioma's equity models

Algorithmics and Axioma have announced a business relationship to offer buy side clients data derived from multi-factor equity models as part of Algo Risk Service.

Algo Risk Service is Algorithmics' hosted portfolio construction, risk management and reporting service. The combined proposition integrates data derived from Axioma's proprietary equity models in order to meet a market demand for customised risk solutions offering options for data source and modelling.

Dr Sebastian Ceria, CEO, Axioma, said, "Most clients want to achieve modelling consistency between the risk-focused middle office and investment-oriented portfolio managers in the front office; our collaboration with Algorithmics provides that consistency of equity risk. Axioma's front office clients will enjoy consistent modelling with their middle office risk departments."

Axioma Risk Models offer a wide range of regional and style-base models that are recalibrated daily as opposed to the industry norm of monthly, with re-estimations and production of factor exposures, covariance matrices, and asset specific risks.

BNP Paribas expands hedge fund admin

BNP Paribas Securities Services has announced its investment programme for hedge fund and fund of hedge fund administration services for both UCITS and offshore funds.

Building on existing fund accounting, performance and risk monitoring capabilities, the programme now enables it to support hedge fund managers using all current strategies, including those employing high volume trading.

Chris Adams, recently appointed head of hedge fund solutions at BNP, said, "As the hedge fund industry becomes more institutional-investor focused, hedge fund managers' administration requirements will continue to evolve.

"This investment programme, now live, was conceived specifically to meet these requirements by taking a more menu-driven approach – helping managers launch funds quickly, measure counterparty exposure and exert greater control."

The bank is targeting start-up and established funds with the programme, which will also deliver BNP's market intelligence.

BNY Mellon in asset servicing shake-up

BNY Mellon has announced a reorganisation of its asset servicing management team.
Vince Sands is named as deputy CEO of BNY Mellon Asset Servicing and will report to Tim Keaney, vice chairman and CEO of BNY Mellon Asset Servicing. Replacing Sands, Samir Pandiri, previously CEO of BNY Mellon Shareowner Services, will take over as head of the Americas' Asset Servicing business and will report to him.

Lou Maiuri, previously head of outsourcing, is named as head of the Global Financial Institutions business. Maiuri takes over from Nadine Chakar who becomes global head of BNY Mellon's Derivatives360 business. Chakar will report to Karen Peetz, vice chair and CEO of Financial Markets and Treasury Services at BNY Mellon.

"At a time of unprecedented market and regulatory change in the derivatives markets, Nadine's proven leadership and abilities will ensure that we continue to meet the evolving needs of our clients as we expand our derivatives offerings globally," said Peetz.

Chakar succeeds Patrick Tadie, who has been named business executive for the company's Alternative and Broker-Dealer Services businesses. She has more than 20 years of progressive experience at BNY Mellon.

Hani Kablawi is expected to become head of EMEA Asset Servicing, replacing Frank Froud who is leaving the company. Kablawi has recently acted as head of client management for the EMEA region. Replacing Kablawi will be Ian Stewart, who will oversee country management and strategic clients across the EMEA region and continue in his role as head of North America client management. Stewart will report to Jim Palermo, vice chairman and CEO of Global Client Management.

Both Maiuri and Kablawi will report to Tim Keaney. Chong Jin Leow, head of Asia Pacific Asset Servicing, will continue to report to Keaney.

Tim Keaney said, "These changes will enable us to have a more focused and streamlined approach to building our business and delivering excellent client service in a rapidly changing economic environment. Vince, Samir, Lou and Hani all have terrific experience within our company and deep knowledge of the asset servicing business.

"We are grateful to Frank for his contribution to the company and to Nadine for her leadership within the Asset Servicing business over the past decade. Both have played an important role in the successful integration of The Bank of New York and Mellon Financial following our merger in 2007, and we wish them all the best for the future."

ECSDA warns on MiFID II overlap

The European Central Securities Depositories Association (ECSDA) has said that CSD safekeeping services should not fall under MiFID II requirements. Instead, the services should be regulated together with other core and ancillary services of CSDs under the upcoming CSD regulation.

ECSDA noted that the proposal to include "safekeeping and administration of financial instruments" in the list of investment services appears unjustified because safekeeping activities carried out by entities holding securities accounts for their clients, whether custodian banks or CSDs, are already regulated and custodian banks are already subject to authorisation either as investment firms and as credit institutions under existing EU legislation.

Meanwhile, CSDs are soon to be regulated under the EU regulation on CSDs, which will cover both their core and ancillary services.

"Overlapping regulations should thus be avoided, not only because duplication could lead to inconsistencies in implementation, but also because the proposed reclassification of the safekeeping and administration of financial instruments services as investment services would not lead to a stricter authorisation and supervision regime," ESCDA said.

Fidessa launches real-time intelligence tools

Fidessa has launched a suite of analysis tools for buy and sell side firms. The initiative, Fidessa Intelligence, will help firms make better sense of the trading environment, identify new opportunities, fine-tune their execution activity in real-time, and independently measure and benchmark their overall trading performance. In short, the intention is that firms will increase revenue and lower costs by making more informed decisions and improving trading efficiency.

The first of these tools is available in the US, Fidessa Trader Intelligence, and is designed to help brokers capture, filter, organise and display a wealth of actionable data from a multitude of disparate sources. This empowers traders by enabling them to better understand their clients' trading styles, patterns and interests, as well as uncover new trading opportunities, to provide a higher level of service.

Steve Grob, Group strategy director at Fidessa, said, "Regulation and technology are combining more than ever to make today's financial markets increasingly complex and fast-paced. Against this backdrop, firms need to manage costs whilst developing competitive edge too. The ability to understand how trading activity is really performing makes it easier to maximise efficiency and identify and leverage new opportunities. Those firms with access to these tools will ultimately be able to perform better and offer improved client service."

Fully integrated into Fidessa's sell side order management platform, Trader Intelligence addresses the challenges of increased data volumes and siloed systems, and provides users with new information and analysis delivered through a simple, unified interface. Trader Intelligence optimises workflow by aggregating a broad range of data – including market data, trading data, holding data, Opportunity Crossing data, trade adverts, IOIs and execution cost analysis – and presents it as powerful counterparty and trading intelligence that can be used to maximize order flow and control costs. It also provides integrated news and block trade data to help traders identify market-moving events, with the option to include shareholder information and other publicly sourced data seamlessly into the sales trader's blotter.

All the data can then be filtered, analysed and manipulated to provide the necessary intelligence to make informed, timely decisions about trading opportunities and to ensure optimum execution is achieved. Trader Intelligence also has advanced tracking features and query tools that enable traders to rank their clients' interests based on configurable weightings of current, historical, watch list and holdings information. It is distinguished by an intuitive user interface that allows traders to select and manipulate data sets and filter information by client coverage, portfolio or stock views with 'one-click' functionality.

Sabrina Segatta, product manager for Trader Intelligence, said, "Today's trading environment presents sell side firms with competing priorities and diverse opportunities to gain competitive advantage. Fidessa users are demanding better, more efficient ways to service their clients with tools that allow them to deliver relevant, targeted communications and enhance their customer service. They are bombarded with high-volume data and simultaneously challenged to reduce costs. We are helping them meet these demands with the launch of our suite of Fidessa Intelligence tools."

Future additions to the Fidessa Intelligence suite will include tools to: interpret trading performance and adjust execution parameters in real time; produce reports that analyze, interpret and benchmark post-trade performance; and provide a broker-neutral measure of execution quality as well as a ranking of executions trade by trade.

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Asian asset servicing

AST has brought together a panel of industry experts, who assess the strength of the Asian back office industry, and point to the direction it will move in the future

Ben Wilkie, editor

Barnaby Nelson
Head of client development, Asia - banks, broker dealers & corporate issuers
BNP Paribas Securities Services

Philippe Metoudi
Member of the Executive Board, head of client relations, Asia/Pacific/Middle East/Africa
Clearstream International

Philip Reichardt
Director and head of international collaboration
Euroclear

Colin Brooks
Global head of sub-custody and clearing
HSBC Securities Services

Simon Cleary
Managing director global head of custody services
Standard Chartered

John Mason
Director of business development South East Asia
State Street Global Services

AST: How have the Asian markets coped with the global financial crisis of the last three years?

Barnaby Nelson: There was a significant time lag effect - where China / West to East capital transfer kept Asia going for 2008-2011. Global slowdown begun to bite / hit Asian volumes in mid 2011 - and markets are now as difficult in Asia as they are anywhere else in the world.

Philip Reichardt: On a relative basis, the Asian markets have held up well, although there has been some financial contagion from the West to the region, as witnessed by slower economic growth reported by some of the major Asian markets. Asia is clearly not disconnected from the US and European economies.

Simon Cleary: In general terms the Asian markets have held up relatively well by comparison to the developed markets in the west. While Asia is clearly not decoupled from wider global issues, it has generally been better insulated and relative market performance has, by and large, been stronger – typically market indices have been up for the three year period by 60-70 per cent in Asian markets versus approx 25 - 30 per cent for the major markets in the West. We are clearly seeing a bigger proportion of investments being allocated towards emerging markets generally, with Asia leading the way. Based on recent and ongoing client conversations our expectation is that this will continue for the foreseeable future.

Colin Brooks: It's been a bit of a roller coaster ride with the Asian markets performing robustly in 2010 and first half 2011, and the inevitable knock on of the euro crisis hitting after this, with a focus on bank deleveraging and trade connections between the two regions.

Philippe Metoudi: Generally, the ability of the Asian markets to cope with different types of crisis and to recover – and here I'm also thinking of epidemics like SARS – has always been exceptional.

When it comes to the financial turmoil over the last three years, the Asian markets have certainly suffered less than others and have coped adequately with the crisis. For example, there has been an impact on China over this period, with a knock-on effect on trade with its major partners, but GDP growth of around eight per cent can still be expected during 2012 and although this rate may drop further slightly, this remains an impressive figure. China's principal trading partners Singapore and Hong Kong have also experienced a slowdown in growth, but generally macro-economic policies implemented by central banks following the onset of the crisis have been flexible and created the necessary stimuli domestically. Other central banks, such as India, have also been required to juggle the need for sustaining growth with the pressure of rising, or stable but high, inflation. There is no doubt that Asia continues to be the engine for the growth of the world's economy.

We will continue to focus heavily on the needs of our Asian clients and have observed their ever increasing contribution to our revenue stream. We believe that the share of revenue from Asia will increase from its current level of approximately 20 per cent to around 30 per cent by 2016.

John Mason: Sound macroeconomic and financial fundamentals, strengthened during the Asian financial of 1997, have cushioned the impact from the global financial crisis on Asian economies, allowing more room to carry out monetary and fiscal policies in response to the unfolding crisis.

Furthermore, most Asian financial institutions are well capitalised and had limited exposure to structured credit products and other asset-backed securities. As a result, Asian economies were able to avert the worst effects.

The notion that Asian economies could decouple from the global economies was put to the test during this period and rejected. It was proven that they remain deeply integrated with the rest of the world. Despite domestic consumption growing significantly, Asian economies were affected by the crisis with those more dependent on external demand contracting more sharply than the rest.

> The ability of the Asian markets to cope with different types of crisis and to recover has always been exceptional
>
> **Philippe Metoudi**

Even China, which has seen phenomenal growth in recent years, could not avert the crisis and responded with massive counter-cyclical fiscal packages and aggressive monetary easily.

Central banks in Asia have taken appropriate action to ease monetary policy and governments have implemented a range of measures to support lending activities, which has helped to cushion the impact on their domestic economies.

Looking forward, considerable risks remain for Asian economies as the global financial crisis continues to unfold, although the full impact will depend on the length and depth of the recessions in the US and Europe.

AST: What is one of the biggest changes in the way business is being conducted in its aftermath?

Brooks: It is difficult to point to one single change. Three principal changes come to mind. (1) Much greater focus on risk and how it is managed in the market, especially counterparty risk. Clients have been asking about where risk lies and discussing in some detail what might happen at different points in the post-trade environment if a participant or counterparty were to default. (2) Cost and how to save it – cost has always been an issue at the forefront of clients' minds but if it was important before, it has become critical now. With the sustained fall in revenue from interest rates close to zero in many markets, coupled with reduced transaction volumes, it is not surprising that efforts to manage costs down continue to intensify. (3) Regulation – sub-custodial activities are generally only subject to light touch regulation, but this hasn't stopped it becoming a key aspect of our lives. The knock-on impact of regulatory developments on fund managers and global custodians is very time-consuming but does actually play to a key strength of a well-capitalised sub-custodian such as HSBC.

Metoudi: We have noticed across the region that the crisis of confidence stemming from other regions and trading blocs has led to a greater focus on risk and also the development of opportunities across borders within Asia. The banking and financial sector has, naturally, adapted to the post-crisis environment and is looking to market infrastructures to provide the lead on reducing risk; this can take various forms, for example in Hong Kong, authorities have moved towards improving investor protection and listing rules; in Indonesia, local authorities have taken steps to increase investor identification and investor protection through the establishment of the Indonesian Financial Services Authority (OJK).

Other initiatives seek to increase opportunities across borders. The exchanges in the ASEAN area have taken steps for example, to increase co-operation in this regard. This is also evidenced by the number of MoUs that have been signed by the exchanges and their intent; for example the Shanghai Stock Exchange is exploring possibilities for cross-listing with its Brazilian counterpart.

The aftermath of the crisis has also led to initiatives to reduce derivatives-related risks by putting in place infrastructure for central clearing and registration for OTC trading. Measures have been or are in the process of being implemented in China, India, Korea, Taiwan, Australia, Hong Kong, Thailand, Japan and Singapore.

Mason: The biggest changes to business will be generated by the new global regulatory regime. The impact of this reform is expected to be substantial, particularly for firms with large investment banking, consumer banking and broker-dealer operations.

> The biggest changes to business will be generated by the new global regulatory regime
>
> **John Mason**

Probably the most significant piece of new regulation is the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was enacted in the US on 21 July 2010. This is a broad and complex piece of legislation that re-writes the rules governing financial service providers and products.

The Act focuses on enhancing transparency and accountability in the financial services industry and includes rules relating to systemically important financial institutions; the so called 'Volcker Rule' limiting proprietary trading and the ownership or sponsorship of hedge and private equity funds; the establishment of a Consumer Financial Protection Bureau; and the comprehensive regulation of derivatives markets.

Other significant regulatory initiatives include a review of equity market structures, money market funds, accounting standards and bank capital and liquidity requirements.

Nelson: It's too early to say. During the growth years (to mid 2011) the major development was Asian banks willing to outsource whatever they could in order to grow quickly. This ran counter to accepted views on Asians and outsourcing. Now though, with markets contracting, it remains to be seen whether Asian banks will revert to type (ie. insource) or continue to grow aggressively.

Reichardt: One of the most visible changes in Asia is the strong development of the off-shore renminbi (RMB) market. RMB settlement volumes in Hong Kong more than doubled over the past year, RMB cash deposits soared to well over RMB 600 billion and the number of issuers tapping into this market continues to grow. There is also increasing interest in Reg S and Rule 144A securities issuance, and we're hearing about plans to issue the first renminbi-denominated sukuk. Not to miss such a trend, Singapore, New York and London are positioning themselves as alternative offshore RMB centres.

Although the most active issuers are based in mainland China and Hong Kong, they are working through both syndicated and non-syndicated distribution channels, targeting both local and foreign investors. Issuers are mostly using one of two options to tap the "dim sum" bond market, either by issuing RMB-denominated securities through the Hong Kong Central Money Markets Unit (CMU) or the international central securities depositories (ICSDs), such as Euroclear Bank.

Infrastructure service providers have an important role to play in furthering progress while keeping a very watchful eye on managing the risks associated with more global market participation in the region.

Cleary: We are experiencing an increasing number of conversations with clients and prospects being focused around asset protection and risk management concerns. In particular, both investors and intermediaries are more overtly interested in the balance sheet strength of service providers, more heavily focused on contractual arrangements, keen for enhanced transparency – particularly around FX execution – and focused on higher levels of automation and more real time reporting and MIS. That is not to say that pricing is off the agenda (custody fees are continually being squeezed, unfortunately!) but it is increasingly a secondary discussion once sufficient comfort is felt around the risk related issues

AST: What is the most significant changing demand that intermediaries are asking from their custodians?

Metoudi: We have noticed that our clients are enthusiastic about exploring new products and asset classes generally. This includes the opening of new settlement links where it is feasible and where local regulations allow. Also, since the crisis began we have responded to the needs of our Asian region customers by extending our business "operating" day to 21 hours and providing them with operational support locally. This enables Clearstream to provide coverage across all Asian time zones and to be more responsive. We have set up an operational hub in Singapore back in 2009, a move that paid off as our clients in Asia really expect us to support them in their time zone and language.

In addition, we have noted an increased demand for collateral management or global securities financing services amongst our Asian client base. Although Asian banks are relatively well capitalised, we have noticed that following the structured credit crisis that began in October 2007 and which spread to the sovereign debt markets towards the end of 2009, they are working towards meeting the Basel III requirements around the 2019 target date. This will require them to issue further debt and to maximise their liquidity ratios through better collateral management. In addition, we are offering outsourcing solutions to domestic market infrastructure organisations in order to bring our 20 years of expertise and solutions in this area within reach of local entities. In Asia-Pacific, we have entered a strategic partnership with the ASX Group in August 2011.

Mason: Our clients are placing a greater emphasis on changes to the regulatory landscape and are seeking our views on the impact to their business. For example in derivatives we are moving towards clearing through central counterparties. Clients are turning to us to help them develop new products and services that will facilitate the use of OTC derivatives under the new market model.

Many clients recognise the benefit of the end to end solutions that custodians provide which includes servicing, custody, accounting, valuation and risk and analytics. Increasingly, we see clients seeking value added services beyond the scope of custody and fund accounting.

Furthermore, with continued market uncertainty, increasingly sophisticated investment strategies and amplified regulatory scrutiny, asset owners and managers worldwide are seeking greater transparency of performance, risk, analytics and compliance across their portfolios. Demand for accurate, timely information that clearly illustrates the drivers of performance and risk are increasingly in demand.

It has also been a trend for some clients to focus on core activities while outsourcing middle and back office functions, as it creates operational and technological efficiencies for the investment manager and it helps them to control costs.

Nelson: Requirements are coming closer and closer to brokers' bottom line - and they are asking for help on any number of business issues. Whereas Asian custodians used only to be able to offer banking custody, we're now much better equipped to deliver deeper solutions to brokers. Whether that is demanding a fully operational back office (in order to grow quickly into 20 new markets) or a proven clearing service to deal with escalating capital requirements (for example in Hong Kong), the key point is that custodians are now asking for business solutions - not just products.

Reichardt: With the globalisation of markets, and the potential for financial contagion between markets, securities professionals see the need to manage exposures arising from different types of transactions, particularly on a cross-border basis. Thus, demand is soaring for efficient collateral management services that optimise collateral accessibility and the use of collateral for risk management and liquidity purposes.

Euroclear is a strong supporter of collateral pooling, where assets held in a domestic market, either in the local CSD or with local banks, can be used to support collateral needs for cross-border transactions outside the home market. This also means that assets held in Euroclear Bank can be as easily used in Asia for the same purpose. The range of securities that may be used as collateral is enormous, when considering that the Euroclear group has more than €22 trillion of assets held in custody.

The collateral management services to be offered by local entities, such as the local CSD, can be white labelled or offered as a Euroclear Bank service to their clients. Settlement of collateral movements occurs locally between local CSD accounts, and local CSDs retain full ownership of their contracts and relationships with their members. The service can also be extended to help local market participants manage their collateral needs for central counterparty margin management. And, the range of transactions are almost limitless, including repos, derivatives, securities loans, central bank monetary policy operations, access to central bank liquidity and more.

diligence activities is an increasing requirement, as is the need to consistently improve automation and provide relevant and timely KPI and MIS metrics – particularly (again) in the context of FX rate transparency.

But if I see one area where the expectation has clearly risen it is in terms of on the ground market advocacy. In appointing us as direct or sub-custodian our intermediary clients are looking for SCB to be their eyes, ears and voice on the ground in the markets within which we operate. This involves proactive engagement in the regulatory space, both in terms of lobbying for any changes to facilitate growth of cross-border investment flows, (such as working towards global standards around client documentation in India, for example) and, importantly, in terms of leveraging direct relationships with regulators to help inform and influence future legislation.

Brooks: The demand for lower cost. Sub-custodians are at the end of the settlement chain and therefore have nowhere to pass on lower costs, applying pressure to margins. This is particularly acute when revenues are facing reduced market values, subdued transaction volumes and low interest rates. However, many broker dealers are now looking very closely at outsourcing their back and middle offices to sub-custodians as a potential way of making cost savings and allowing them to focus on their core competencies such as execution and research. If structured properly this can be a real win-win for both sub-custodians and broker-dealers.

AST: What are the significant changes to core post trade services?

Mason: Clients are increasingly using cost effective end-to-end collateral management services to allow them to focus on their core activities. This includes managing counterparty exposure, eligibility of and sufficiency of collateral, margin and collateral movement, capture of bilateral agreements and post trade compliance.

> Beyond the obvious settlement and asset servicing requirements intermediaries are looking for custody providers to provide local consultancy and guidance
>
> **Simon Cleary**

Cleary: It is probably less around new demands per se than an increased emphasis in certain areas. Beyond the obvious settlement and asset servicing requirements intermediaries are looking for custody providers to provide local consultancy and guidance, whether in terms of the timely provision and interpretation of market driven information and news, or in terms of influencing local market practice towards global norms. Clearly support for their own market due

Straight-through-processing of trades has become increasingly common in recent years and has contributed to reduced operational risk and trade failure rates. With this development, asset managers look to custodians to provide reliable IT infrastructure and real-time reporting of positions via their delivery platforms. As such, custodians are required to constantly evaluate their systems to improve the quality of service and performance and also to support changing regulatory and client needs.

Key developments in the OTC market have heightened the need for transparency and independent valuation and, in time, qualified intermediaries that have the capability to work hand in hand with established exchanges in the clearing and settlement of OTC instruments. State Street's Global OTC derivative platform automates processing across the middle and back offices, from trade capture and allocations to settlement and reporting, using industry-standard formats that link central counterparties and industry utilities to assist clients to streamline their operations and reduce operational risk without costly investments in infrastructure and resources.

domain, and the MoUs agreed between CSDs in Asia and the West.

The international capital market community has been seeking ways to access China and ensure that the Chinese authorities can take advantage of market practices from other parts of the world. For example, SWIFT and the Asian Securities Industry & Financial Markets Association (ASIFMA) have organised and led various working groups to tackle issues relating to reference rates, the distinction of trade versus non-trade settlement, the differences between onshore and offshore transactions, and the possible need for a new currency code (CNH) for offshore renminbi issuance, to name a few.

In Asia the markets are so varied and at different stages of development that it would be difficult to take one as a benchmark for others

Colin Brooks

Finally, risk management has always been a focus of both asset owners and asset managers but the current environment has heightened sensitivity to the importance of risk identification. Whether investment, credit, liquidity or operational risk, this renewed focus has put pressure on asset managers and owners to more closely scrutinise current risk management practices and adjust them to today's environment. Integrated and comprehensive analytics services allow custodians to help asset managers and owners reduce operational risks and costs. Such services permit asset owners and managers to gain a comprehensive view of accurate, integrated data encompassing all instrument types, asset classes and regions in a specific portfolio.

Nelson: The last five years has seen a radical shift in the post trade space - both from regulatory and client perspectives. 2011 saw the final validation of third party clearing in Hong Kong (followed shortly after by Singapore) - with local regulators finally sanctioning a model that helps clients to cut risks and increase liquidity. 2012 has then seen brokers outsource their entire clearing obligations to custodians - making a massive impact on their balance sheet. Viewed in terms of "before and after" this is huge: we've gone from a custody account to one where a broker can keep only a trader and a compliance officer in-house - with all capital and systems outsourced to a custodian.

Reichardt: A trend that we are beginning to see evolve nationally, regionally and on a transcontinental basis is the move towards further infrastructure consolidation and strategic partnerships. Infrastructure service providers in particular are seeing the merits of working closely with other service providers that have proven expertise and established track records to complement their service offerings. We can see this trend exemplified in the stock exchange mergers in Japan, the attempt of SGX to acquire ASX, Euroclear's partnerships with Capital Precision and Broadridge in the asset servicing

Another initiative that is close to our heart is the task force comprising Asian central banks, CSDs and Euroclear Bank, which aims to create a post-trade infrastructure for the clearing and settlement of Asian bond transactions. A pilot platform is being conceived for launch in early 2012.

Cleary: In terms of market developments one significant talking point has been the trend of markets towards implementation of binding pre-settlement affirmation processes, which raises fairly obvious credit management concerns for custodians who have little choice but to settle on settlement date once a purchase trade has been affirmed whether or not his underlying client funds his account. This currently impacts nearly half of the Asian markets in which SCB operates and effectively pushes settlement risk away from the direct market participants on to the custodian.

The last five years has seen a radical shift in the post trade space - both from regulatory and client perspectives

Barnaby Nelson

Account operator services are another increasing trend, whereby brokers effectively outsource management of their exchange accounts to their custodian.

Beyond these, we see increasing interest in host to host and secure FTP connections, including brokers, clearing agents, global custodians and sub-custodians, and also heightened demand for increasingly sophisticated settlement analytics

Brooks: One change is the increasing tendency for stock exchanges and central securities depositaries (CSDs) to provide corporate action information by electronic linkage using SWIFT ISO formats. This helps efficiency in the local market and reduces some of the processing risks associated with corporate actions. However, there is a long way to go before corporate action processing can be automated to the same level as settlement processing.

Metoudi: Given the number of challenges that the region is facing in terms of the development of new trading platforms and the focus on revised domestic regulation, significant changes to core post trade services across the region have been limited. However, clients continue to request new services and greater coverage for new markets, asset classes and currencies.

One area, in which we have adapted to increased demand in the post trade environment, is to improve with local partners to enhance services related to the issuance of offshore yuan-denominated instruments. There is significant demand for new issuance of securities in the offshore CNY and we are in discussion with regulators in Singapore to facilitate a market there.

AST: What markets present a benchmark to others?

Nelson: Hong Kong is the natural leader in Asia - in terms of innovation and openness. Although progress here hasn't been immediate or easy, we've seen most developments hit Hong Kong first before the rest of Asia (eg. Tri-party Settlement Agency and Third Party Clearing). Singapore then follows naturally and once models are proven in both markets, they naturally spread throughout ASEAN and North Asia.

Reichardt: Different markets for different purposes is how I will answer this question. I do not believe there is one single market that the others seek to emulate in its entirety. Of course, there are many experiences to share and from which to learn in order to adapt market infrastructure services to accommodate changing local, regional and cross-border market dynamics.

In Asia, Tokyo, Shanghai, Hong Kong, Singapore and Seoul are among those markets that usually spark some benchmarking for different reasons. I would also say that this type of benchmarking occurs between regions as much as within regions. Market infrastructures are regularly sharing best practices with each other, increasingly joining forces to strengthen their mutual business prospects and forging agreements that increase liquidity and reach for their local issuer communities.

Cleary: In truth all markets evolve at a pace commensurate with levels of investment, infrastructure, regulation and depth of capital markets and, across Asia, markets are at different stages of evolution. While markets such as Hong Kong and Singapore are further down the path than some others, it is difficult to talk in terms of benchmark markets.

Brooks: In Asia the markets are so varied and at different stages of development that it would be difficult to take one as a benchmark for others. In terms of efficiency in the post-trade environment the high turnover markets such as Japan and Australia offer the highest levels of automation.

Metoudi: In Asia, the spotlight is on China and that will continue to be the case, simply because China is an economic driver for the region and beyond.

Mason: Across Asia, regulators have made concerted efforts to strengthen and deepen their capital markets by enhancing market infrastructure, market linkages, market access and market liquidity, working together in parallel through committees such as APEC and ASEAN.

Hong Kong and Singapore both offer a broad range of financial services, excellent infrastructure, a stable legal framework and a strong regulatory regime that is respected across the region. In addition both have deep pools of skilled financial services talent from which to draw.

AST: Are we any closer to harmonisation in Asia and what would it mean to clearing, settlement and custody services?

Cleary: While there continues to be a lot of dialogue and wishful thinking around harmonisation of practice, regulation and currency across Asia the reality remains that Asia is made up of a number of independent thinking markets controlled by different regulatory regimes, each utilising their own national currencies. Initiatives such as the Asean link-up are positive, but practical implementation remains elusive and, personally at least, I don't see anything dramatic happening in the reasonable short term that will tangibly improve clearing, settlement or custody practices across Asia. The national and political environment across Asia is very different to the US and Europe, where at least the majority of the political and currency issues have been, or are being, addressed. (Notwithstanding obvious topical issues with the euro!).

In the absence of such an environment I see regional custodians such as ourselves having a very important role to play in attempting to normalise market access and costs through common systems, consolidated and/or distributed service delivery, common messaging protocols and, importantly, ongoing dialogue with local infrastructures and regulators towards best market practice.

Nelson: Arguably initiatives like ASEAN + 3 and the ASEAN Trading Link are moving us closer to harmonisation in the region but the path towards this is still unclear in concrete terms. This is mainly because there is very little pull from the market towards harmonisation. Those who have built infrastructures to cope with market differences now value these differences as a barrier to entry. Plus, those who want to come into the region no longer turn to the regulators for harmonisation - but rather to custodians and providers to act as shields against market complexities.

progressing on time, with the first linkage – Singapore Stock Exchange with Bursa Malaysia – among the seven members due to take place in June 2012. The Stock Exchange of Thailand is due to join two months later. In terms of clearing, settlement and custody services the impact is expected to be minimal although exchanges may be required to select a global custodian to support the linkage.

> There are signs that some Asian markets recognise the benefits of harmonisation, as evidenced by the very constructive discussions held by the ABMI for Asian bonds
>
> **Philip Reichardt**

Reichardt: There are signs that some Asian markets recognise the benefits of harmonisation, as evidenced by the very constructive discussions held by the ABMI for Asian bonds. However, in practice, there is no example I can cite as yet that suggests harmonisation is imminent in Asia.

In the United States and Europe, further harmonisation is now predominantly led through public policy initiatives. This is a distinct difference from the situation in Asia, as there is tremendous political will in Europe to deliver harmonised post-trade processes whereas policymakers in Asia have yet to push forward any such initiative.

Discussions in Asia to harmonise the Asian bond markets have been going on for some time. Research papers have been published and speeches have been delivered supporting the need for harmonisation, but the drivers are not sufficiently strong to create any momentum.

At the moment, I would say that improving access to Asian markets is higher up the list of priorities since this is expected to generate additional capital flows to the region. As a result, in this context, harmonisation will be a consequence rather than a prelude, and only once Asia's regulators agree on the best way forward.

Brooks: Over a number of years there have been several initiatives that have attempted to bring harmonisation to the markets in Asia, but so far with limited success. However, there are some initiatives currently ongoing which are gaining some traction. One of these is the ASEAN + 3 bond market initiative which aims to make the trading of bonds within Asia easier and cheaper. There is also the ASEAN Exchanges initiative involving Malaysia, Singapore, Thailand, Philippines and Vietnam which aims to facilitate the trading and settlement of blue-chip stocks listed on one exchange, on the other markets in the group.

Metoudi: Harmonisation of financial markets in Asia is currently characterised by two key initiatives: Firstly, from a trading perspective, the ASEAN Exchanges project appears to be

The second significant initiative is the Asian Bond Market Forum (ABMF) that involves the ASEAN+3 markets and which aims to improve the post-trade environment for bonds. The ABMF has conducted extensive reviews regarding market structure, transaction flows and settlement infrastructure as well as legal and regulatory requirements of the individual member states. Their final report is expected in February 2012 and although the final objective remains a medium to longer term goal, it is hoped that certain market practices regarding harmonisation of issuance practices can start to be adopted.

Mason: Through the Association of Southeast Asian Nations (ASEAN), many countries in the region are working to liberalise their financial markets and integrate with one another, with the goal of gaining efficiencies for their individual markets and better positioning themselves to compete for international capital. While they are making progress, such as recent moves to establish a pilot of an Asian funds passport, many challenges still lie ahead.

To achieve their objectives, ASEAN's member countries will need to work hard over the next few years to reach and implement agreements, develop investment opportunities for the global community, and leverage integration initiatives in other regional organizations.

One of the challenges for the region is that despite the numerous governmental organisations that operate across the region there is no pan Asia-Pacific structure comparable to the EU. Given Asia-Pacific comprises numerous countries spread across multiple continents and oceans, each with its own political, economic and cultural interests, it is also unlikely that an EU-type grouping will emerge in the foreseeable future.

Irrespective of the challenges that exist, there are many incentives to encourage harmonisation. Operation and trade costs will decrease due to the similarities of operating within a harmonised region, trade flow will increase on the back of deregulation and integration, and a wider range of products will be made available to investors.

AST: Which measures being taken in the push to regulatory reform are most beneficial to improved risk management?

Nelson: Inevitably third party clearing is a significant development that will continue to help reduce systemic risk in a growing number of markets - and we are continuing to push for the adoption of this model in several new markets across the region.

Reichardt: The need to comply with Basel III and the new FASB standards will require more sophisticated collateral management business practices in Asia. In fact, I would say managing collateral will become as important as managing banking relationships in Asia for balance sheet purposes.

Asian central banks are already applying pressure on local banks to demonstrate their long-term liquidity capacity levels. Moreover, in Asian markets, where banks often need to manage liquidity when large portions of their local currency balances are held off-shore, counterparty risks are more complex and must be mitigated efficiently.

And, as companies in Asia look to raise money in the capital markets rather than through conventional bank loans, they are putting pressure on their banks to secure against redeposit risks when leaving large cash balances with them.

All of these factors point towards the same issue: seeking the best way to secure exposures and to comply with client and regulator demands to be fully secured.

Cleary: Obviously reforms centred on KYC and anti-money laundering are important, as are any movements towards more secure and efficient markets – these act in everybody's interest. I think a key point here, though, is the need for a consistent approach in line with global best practice. We are all hearing an increasing level of regulatory noise in response to the market environment and we are all grappling with hundreds, if not thousands, of pages of, typically, disparate legislation on a market by market basis – not specifically in Asia but at a global level. My plea would be for greater dialogue between regulators towards best practice to ensure that the right level of workable reforms are introduced in order that (i) market participants can conform at a reasonable cost commensurate with the risk being mitigated and (ii) investors and intermediaries accessing multiple markets can enjoy some consistency in approach in order to be able to better understand and comply with requirements.

Metoudi: The measures being taken in a large number of markets with regard to the registration and clearing of OTC derivatives can be seen as a response to the regulatory reform in this area. Other examples include Hong Kong where authorities have moved towards improving investor protection and listing rules; in Indonesia, local authorities have taken steps to increase investor identification and investor protection through the establishment of the Indonesian Financial Services Authority (OJK).

Mason: While the Dodd Frank Act and the Volcker rule will cause significant change and will present challenges to some financial services providers, these regulations will undoubtedly reduce risks in the system.

Perhaps equally important are the steps being taken to manage risk within the industry itself by organisations like custodians. For example State Street has recently introduced an Entity Exposure Monitor to enable clients monitor their entire exposure to a particular counterparty. Clients can see to what extent they are exposed to a particular financial institution across all of their lines of business in a single consolidated view. Other new services allow asset owners who are invested in alternatives – a traditionally opaque asset class – to look through to see their exposure to particular private equity investments and better assess their investment risk.

AST: What do you see Asian markets delivering to the financial community in 2012?

Reichardt: One of the most exciting developments for 2012 is happening on a pan-Asian dimension.

The task force comprising Asian central banks, CSDs and Euroclear Bank will launch a pilot platform in early 2012 to serve as a post-trade infrastructure for Asian bond transactions. The Hong Kong Monetary Authority, Bank Negara Malaysia and Euroclear Bank will streamline the cross-border settlement of Asian bond trades, manage relevant corporate actions, facilitate the primary issuance of new securities and perform the necessary collateral management functions to ease cross-border flows.

The beauty of this common approach is that it tackles local market issues and needs using existing infrastructure, thereby limiting up-front investments and providing a quick time-to-market timeframe. Moreover, it enables each country to develop its local bond market at its own pace, offers issuers the opportunity to reach investors in multiple markets through a single platform and provides the foundation for future initiatives to harmonise market rules and practices across markets.

We expect new ideas to continue coming forward during the course of 2012.

Cleary: I anticipate continued growth towards investments in Asia from other regions in relative terms, albeit with global market driven volatility, leading to an ever increasing importance for Asian markets on a global level. I anticipate more and more efficiencies from automation as technology continues to evolve and infrastructures make it easier to connect via standardised messaging and, importantly, I can see solid growth in Asia off the back of solid domestic demand helping support overseas growth as Asian investors diversify their portfolios cross-border.

Nelson: Asia has always set itself apart through its practicality and its readiness to quickly embrace new solutions in the light of challenging issues. In 2012, I expect the Asian markets to demonstrate that functions such as clearing (or even the entire back office function) can be outsourced on a major scale - even though this has rarely been done elsewhere in the world.

Brooks: Asia had two of the best performing stock markets globally in 2011 in the form of Philippines and Indonesia. We are hoping the rest of Asia can emulate them in 2012!

Metoudi: We believe that the Asian markets will continue to be a source of stability and growth going forward.

Mason: We expect to see continued growth from Asia, albeit at a slower pace if the European crisis continues to put downward pressure on global demand. The region has strong fundamentals and high reserves that will provide a buffer from its heavy reliance on global trade.

Meanwhile China and India, the region's large emerging markets, are expected to continue to be the significant drivers of growth – both within the region and more broadly across the world. **AST**

Asian dawn

GBST's Donal O'Brien explains the new operational models that will guide the next 20 years

MARKET INSIGHT

I've spent most of my career charting the inexorable progress of technology and operational practice from West to East; that is, the systems and procedures, established in the United States in the Seventies, that established themselves in Europe and Japan in the eighties. The subsequent evolution and, in cases, revolution of these in Europe during the nineties, gave rise to a new flow of applications and expertise into Asia at that time. That seemingly natural state has had a dramatic change in course in recent years. We have all heard of the flow of money into Asia as an aftermath of the financial meltdown in North America and Europe. With that economic focus has come an operational one; our collective talent and budget has concentrated on the unique problems inherent in the Asian financial landscape and, as a consequence, created revolutionary solutions to both regional and global problems. It is these new models that will inevitably make their way westward, defining global financial operations for the near and medium term.

What are these problems we grapple with in Asia? Clearly, the most obvious is the nature of the so-called Asian market; the inescapable fact that there is not one but many markets, countries and regulatory regimes which we have to service. It is this multitude – this disparity of operational practice and legal framework – that, for many Asian financial participants, defines their technology and operational framework. There is no overriding federation enforcing harmonisation amongst these markets – no common infrastructure or standards to simplify or even guide our participation. Contrast this to Europe where, although not one single market yet, there is an overarching federation of best practice and regulatory authority. This can only improve with the forthcoming T2S initiative, enforcing further standardisation. Likewise, in North America, there are well established practices and interoperability between markets, particularly the US and Canada. Participants in these regions have as easier entry strategy into their regional markets. In our regional markets, not only do we have widely varying interface and regulatory reporting requirements, in some cases, we have to establish on-shore repository of the data itself in order to satisfy stringent local regulatory strictures. It is not as though we can ignore these multiple markets and concentrate on just one or two. On the contrary, recent experience tells us that, while there are well-established markets in Asia, it is the emerging and expanding markets that have such interest for investors, brokers and service providers in the region.

Coupled with this diverse market membership is that old chestnut: inter-company processing. Many of us are familiar with this as a practice dating from the early flood of US brokerage firms into Europe during the '80's. Client-originated trades in one country, destined for a non-domestic market, are flipped between various legal entities to allow the final leg to execute and settle in the relevant location. While this generation of multiple legs, and associated books & records, is a venerable tradition, and well-established as an operational practice, in truth it is cumbersome and out-dated. What worked for relatively low volume flows between the US and Europe can cripple regional Asian firms where almost all their volume has some multi-location component. We used to have a simple rule of thumb in the '90's – if a firm has more of these internal, intercompany transactions than real client or market-facing trades, then bankruptcy looms. This is hardly possible as a guideline in Asia that necessitates executing a client's order in one of many regional markets, each with its own participating legal entity. Pair this with that other common regional pressure, minimising local taxes, and this frequently creates a situation where these multi-leg flows are the norm not the exception. The problem with this practice is that, even if the generation of these multiple transactions is automated, operations spends an inordinate amount of time tracking, matching and reconciling activity between the various legal entities. This isn't just a cost issue but an operational risk one. One regional firm I spent time with had, as their highest priority regional issue, the generation of coherent regulatory records across all these diverse entity flows. This, and not cost, was what kept them awake at night.

What of the trading activity itself? Traditionally investors have concentrated on the equity markets in Asia; although there are many of these, they are mostly relatively straightforward. The exceptions to this are Japan and Australia which are among the most complex market infrastructures in the world. However, this single-asset focus has changed in recent years with a widespread shift into other asset classes such as derivatives, particularly OTC, and lately the fixed income markets.

Should regional firms in Asia follow the path of the US and Europe, where various asset-aligned processing engines are used? It's hardly an operationally-efficient choice; rather, adopted as a pragmatic choice in previous eras. Instead, many local brokers are making the reasonable assumption that there is no real reason why all their trading and operational activity can't be processed in a single processing environment, with operational activities assigned on a functional rather than market or asset-aligned basis. This is something that gives enormous operational agility as well as cost-saving.

I have only highlighted three areas of complexity in the regional environment but it would not be difficult to list more. Let's focus on these for the moment – what has been the traditional reaction by local and regional market participants to these challenges? Up until a few years ago, this has been marked by the same time-to-market pragmatism we saw with multi-asset processing above. Although some firms have used core transaction processing and books & records engines, usually adapted from the US or Europe, most have implemented local systems, whether home-built or from vendors, in each of the markets that they participate in. Even those global firms that have adapted global solutions admit that they supplement them with several local systems to service their various market connections and regulatory environments – something that is often referred to as the hub-and-spoke model. The same pragmatism clearly applies to those firms that have entered early into multi-asset processing – asset-aligned operations and infrastructure were the norm. As to the inter-company issue, until very recently the traditional US operational model was the norm, with all of its difficulties. Frankly, firms threw bodies at the problem.

So what has changed recently – why the big claim regarding revolutionary operational models? The most interesting thing that I have witnessed is a genuine openness to game-changing technologies and operational practices. Having spent decades watching gradual evolution in North America and Europe, it is fascinating to participate in discussions where the rule-book can be rewritten if it gives a competitive advantage while still satisfying the fundamental requirements. For example, let's see what is currently happening in the region with the three highlighted issues above. For the multiple market and regulatory reporting requirements, the answer lies with the appropriate use of modern technologies such as rule-based data and process modelling, report-writing and middleware tools. All of these technologies have been around for more than 10 years but it is only in very recent years that they have been used in a coherent manner to build an all-encompassing multi-market framework in Asia. That is, to build a processing solution that, within a single instance, can participate directly in all of the diverse markets in the region. Note the single instance – this is what solves the operational and regulatory headache for many firms. This is what allows them to move to the coveted functionally-aligned operating model, so loved of the management consultants.

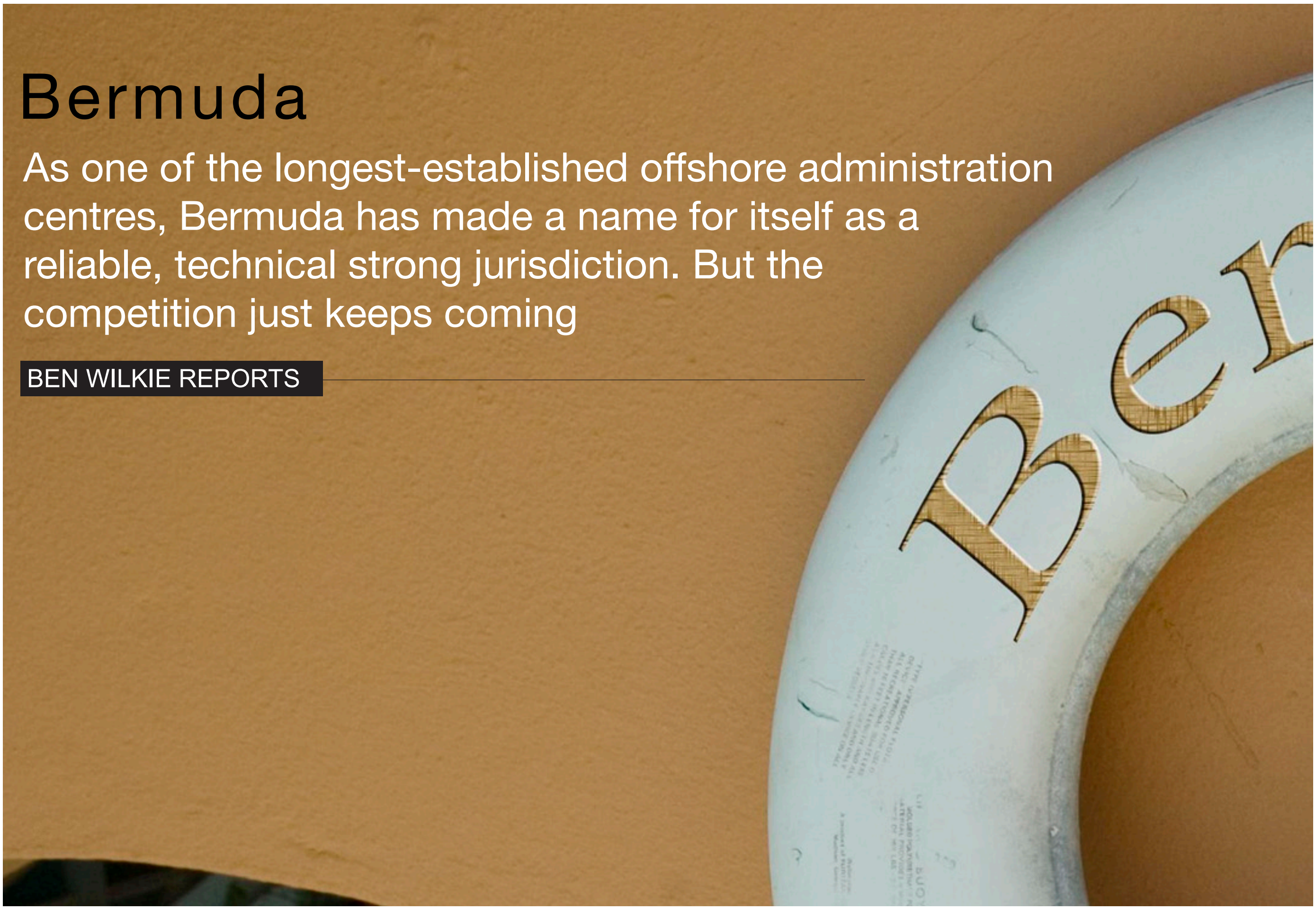
These same tools and systems are also now built as multi-asset as standard – and by that I mean the truly diverse set of instruments that we cater for here in Asia, particularly the complex OTC structures. Again, the business modelling tools being adopted by in-house development teams and vendors, such as my own, allow the rapid modelling of these ever-changing instrument and market requirements. It is also the use of these modelling tools that allows for elegant solution to the inter-company problem. It turns out that the same tools that can react rapidly to complex OTC requirements can also be used to model complex multi-leg inter-company transactions as single processing units, in a stroke removing the matching and reconciliation headache that all seemed resigned to. Remember the regional broker I mentioned above? They used these modelling techniques to build completely automated matching and self-repairing inter-company structures that have not only solved their management headache but given them a business differentiator in attracting new business. Not just their technology but their operational practice was revolutionised by the adoption of these techniques.

Ironically, while dealing with these diverse local problems, regional brokers and service providers are also tackling a common global problem; the provision of further value-for-money services to their end-clients. These service extensions are usually characterised by real-time data and function provision directly to the customer, whether an end investor or institution. Often termed Trade-dated or Middle-office services, these include market and portfolio monitoring, real-time order and settlement tracking, confirmation and allocation servicing, P&L calculations, collateral management and several other topics, on which many of you engaged with customers spend a great deal of your time. Interestingly, it is this focus on trade-date, or client-centric, activities, as opposed to the traditional back-office activities, that have forced many firms, including service providers wishing to extend their value-proposition up the food-chain, to evaluate these new technologies and practices.

Of course, the question could be asked, why should Asia be leading this endeavour? There is certainly the same desire in the US or Europe, so why are they not revolutionising their service models in the same way? I think the most likely answer is that the combination of adoption of new technologies, as aforementioned, and the rapid system change in Asia allow for an environment where such new service models can be established and experimented with. Certainly my own firm's experience with various service providers in the region, such as third-party clearers and custodians, shows that there is a marked extension in the nature of their services. These firms are establishing service models that don't just hide the complexity of the various downstream markets and regulatory environments from the customer but also enhance the trading and investment strategies of their clients, and their ability to service their own end-customers. In fact, the nature of these service models and technologies allows them not only to satisfy the constant flux of regulatory and market change but also ever-increasing demands for client-service.

So, what conclusions can we draw from this? First of all, it is clear to me that innovation is achieved through stress. While it is useful that investment is being made in the Asian region, I think it is the nature of our complexities here that has driven many of the new innovations. While the rest of the world is content to reach for incremental benefit, we are forced to confront the difficult problems by creating genuinely new operational models. More than anything else, I think it is our newly-acquired ability to respond to environments in flux in the region that is game-changing. This will define the global dialogue on what it means to modify and enhance operational practice for years to come. **AST**

Donal O'Brien
Business development director
Asia, Global Broker Services, GBST



Bermuda

As one of the longest-established offshore administration centres, Bermuda has made a name for itself as a reliable, technical strong jurisdiction. But the competition just keeps coming

BEN WILKIE REPORTS

When comparing Bermuda to other jurisdictions, there is one mistake overseas visitors make and that's to mix the jurisdiction in with the likes of the Cayman Islands and its neighbours. One thing needs to be made clear: Bermuda is not part of the Caribbean. However, it's often compared to the islands close by when it comes to looking for a domicile by fund managers and more often than not, Bermuda is the one that's chosen.

And it's not hard to see why. Bermuda has been offering fund services for decades and in that time it has built up a loyal and educated workforce, a strong technical infrastructure - even if communications costs are comparatively high - and a regulatory and tax infrastructure that can attract most investors. When it comes to the North American timezone, Bermuda is at the top of the hill.

In the current market environment, reputation is everything. And with funds seeking the safest possible domicile for their investments, Bermuda has done reasonably well during the downturn with as investors fly to quality. "When we're pitching to clients, we don't have to sell Bermuda as a domicile," says one administrator. "That's a given. All we have to do is pitch ourselves."

In addition to the huge investment funds market, Bermuda is also home to an enormous reinsurance and captive insurance industry, and the servicing of these markets is often inextricably linked to fund management. The past decade has seen a number of high profile moves to the island - Invesco, with $500 billion AUM moved in 2007, thanks to the Bermuda's reputation and the number of similar types of firms already domiciled there.

While the US and, to a lesser extent, Canada have long been the focus of the Bermudan fund administration, these are mature markets. So while there will always be large amounts of business to be done, there is unlikely to be high growth. And as investors' eyes have turned towards the hot Asian economies there has been the fear that Bermuda's geography will make it too difficult to effectively service that region.

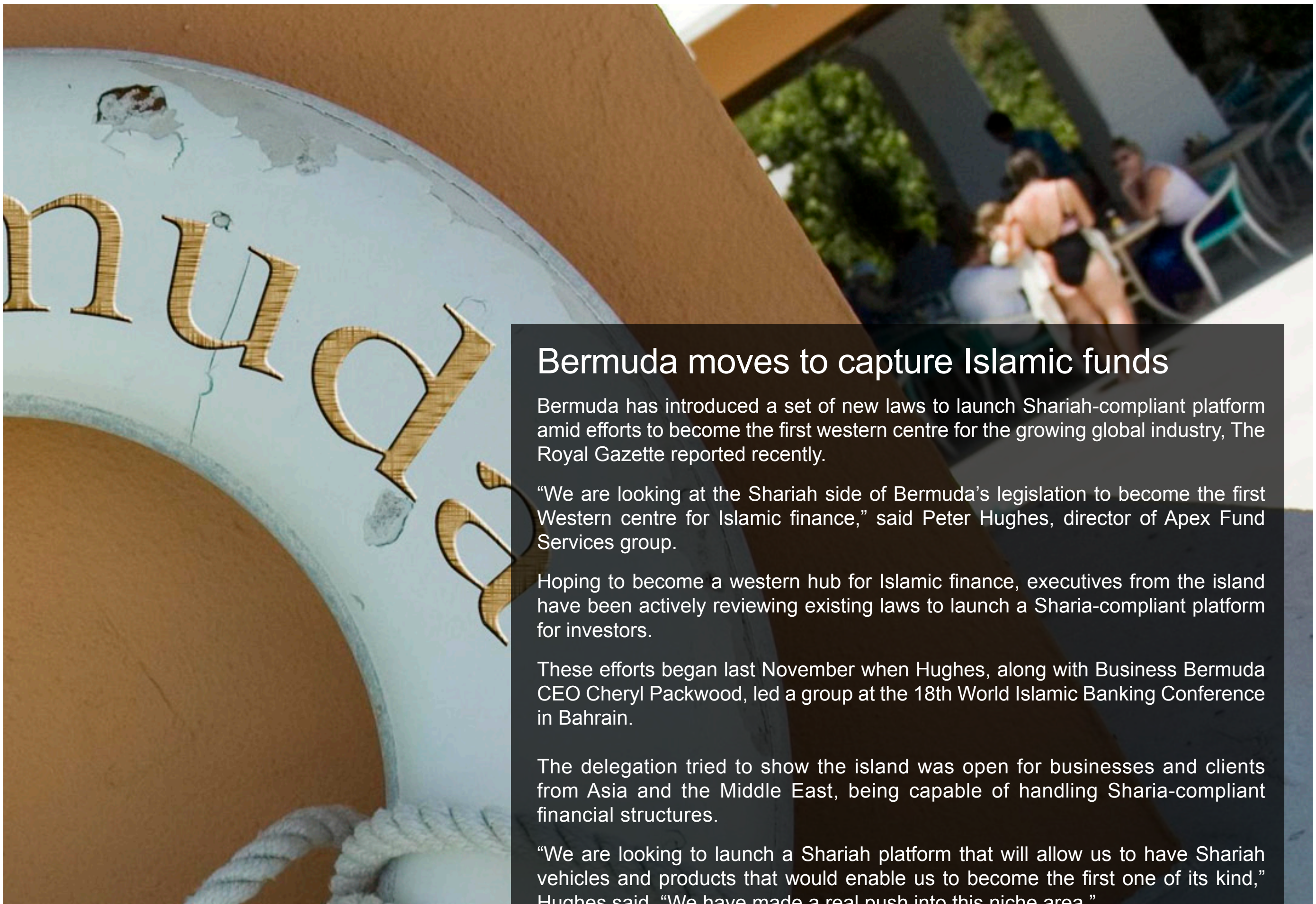
However, some forward-looking providers are casting their eyes towards newer markets. The Latin American funds sector is growing at a rapid rate, particularly in Brazil and Mexico, and Bermuda has set itself up to be in a prime position to capture more of the business. "Latin America is a growth area and this may be an alternative market that managers could tap into," says Peter Hughes, managing director at Apex Fund Administration Services.

Regulation

The country recently introduced amendments to the Investment Funds Act 2006. The Investment Funds Amendment Act 2010 received assent at the end of 2010 and has the aim of aligning "the regulatory framework for funds and fund administrators more closely with the requirements that exist in other regulatory legislation in Bermuda, while ensuring that the framework overall remains risk-based and recognises the unique nature of the funds industry [in Bermuda]."

Under the Act, the definition of service provider has been expanded to include auditors appointed to a fund - previously it only applied to custodians, fund administrators, investment managers and registrars, as well as people and businesses that those providers outsourced their services. This means that auditors now have to comply with the jurisdictions rules on fit and proper persons.

In addition, section 9 of the Act sets out the criteria for exemption of a fund and includes the requirement to have a recognised fund administrator, an auditor and a Bermuda resident officer or trustee or resident representative who has access to the books and records of the investment fund. To bring exempted funds into line



with authorised funds, the Amendment Act introduces the additional requirements for exempted funds to appoint an investment manager, registrar, custodian and/or prime broker. All such additional service providers will be included in the vetting process per section 7(1) of the Act in the same way as authorised funds.

The Amendment Act act also establishes that fund administrators are now required to notify the Bermuda Monetary Authority (the "Authority") in advance when there is a prospective change of control. The Authority now has power under sections 45 of the Act to object to a change in control to prevent it happening or to object to existing controllers where, in the opinion of the Authority, they are no longer fit and proper to be controllers. These amendments mirror the provisions which already exist in Bermuda for other licensed entities such as banks and investment businesses.

Section 55 of the Act has been amended to provide a right of appeal in circumstances where the Authority has exercised its power to object under section 45. The person who is the subject of the Authority's objection may appeal to a Tribunal constituted under section 56. This right of appeal provides that proper judicial review of the authority's exercise of its powers in accordance with section 45 is provided for under the Act.

Bermuda moves to capture Islamic funds

Bermuda has introduced a set of new laws to launch Shariah-compliant platform amid efforts to become the first western centre for the growing global industry, The Royal Gazette reported recently.

"We are looking at the Shariah side of Bermuda's legislation to become the first Western centre for Islamic finance," said Peter Hughes, director of Apex Fund Services group.

Hoping to become a western hub for Islamic finance, executives from the island have been actively reviewing existing laws to launch a Sharia-compliant platform for investors.

These efforts began last November when Hughes, along with Business Bermuda CEO Cheryl Packwood, led a group at the 18th World Islamic Banking Conference in Bahrain.

The delegation tried to show the island was open for businesses and clients from Asia and the Middle East, being capable of handling Sharia-compliant financial structures.

"We are looking to launch a Shariah platform that will allow us to have Shariah vehicles and products that would enable us to become the first one of its kind," Hughes said. "We have made a real push into this niche area."

Islamic banks have proved a success because of rules that forbid investing in collateralised debt obligations and other toxic assets that cause financial crises.

Islam forbids Muslims from usury, receiving or paying interest on loans. Islamic banks and finance institutions cannot receive or provide funds for anything involving alcohol, gambling, pornography, tobacco, weapons or pork.

Shariah-compliant financing deals resemble lease-to-own arrangements, layaway plans, joint purchase and sale agreements, or partnerships.

The new Shariah compliant rules succeeded in luring new clients from Islamic finance hubs in Asia and Middle East.

"We now have strong links in Bahrain and there is a commonality of wanting to create a niche jurisdiction for Sharia compliancy, that is closer to the US timezone," Packwood, Business Bermuda CEO, said. "We are also focusing on Kuala Lumpur in Malaysia, as it has an enormous sukuk market.

"The process for getting this off the ground may be slow but we have the Bermuda Monetary Authority and the Bermuda Stock Exchange behind us."

The Islamic banking system is being practiced in 50 countries worldwide, making it one of the fastest growing sectors in the global financial industry.

Starting almost three decades ago, the Islamic banking industry has made substantial growth and attracted the attention of investors and bankers across the world.

A long list of international institutions, including Citigroup, HSBC and Deutsche Bank, are going into the Islamic banking business.

Currently, there are nearly 300 Islamic banks and financial institutions worldwide whose assets are predicted to grow to $1 trillion by 2013. **AST**

2012

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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.

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9th Annual PASLA RMA Conference on Asian Securities Lending

Location: Taiwan
Date: 6-8 March 2012
http://www.rmahq.org/securities-lending

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

04 April

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Securities Financing Forum London

Location: London
Date: 20 March 2012
www.dataexplorers.com

Join the leading practitioners in the Securities Financing industry for a day of debate and insight into this market. Last year the London forum sold out quickly and was attended by close to 300 delegates. This is a date not to be missed.

05 May

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Securities Financing Forum New York

Location: New York
Date: 22 May 2012
www.dataexplorers.com

The Data Explorers Securities Financing Forums bring together the world's most influential securities financing professionals, including beneficial owners, hedge funds, prime brokers, agent lenders and regulatory experts; all of whom come together each year to engage in debates that will help define and drive the future of securities financing

Industry appointments

DTTC has named **Mark Davies** as vice president for Data Business Development focused on the clearing house's involvement in the Legal Entity Identifier (LEI) programme in Europe. He joins DTCC from the Royal Bank of Scotland (RBS), where from 2008 he served as head of Reference Data within Shared Services Finance. He has also held various positions at Barclays Capital and Credit Suisse First Boston.

In his new role, Davies will be based in London and responsible for strategy and liaison activities in Europe regarding the LEI project.That will include participating in the development of a distribution strategy, serving as a subject matter expert on the LEI business with regulators and industry committees and representing DTCC in customer meetings, customer forums and regulatory meetings. He will report directly to Ronald Jordan, DTCC managing director and chief data officer, who is based in New York.

"We are delighted to have someone with Mark's expertise and experience join DTCC to assist in this critical international effort," Jordan said. "Not only does Mark have a long history of working with data management services, he has played a critical role on the industry's LEI steering committee representing the Royal Bank of Scotland in developing the requirements for the LEI project, and we know he will continue to provide continued leadership in his new role with DTCC."

LEI is a global programme designed to create and assign unique identifiers to every financial organisation that engages in a financial transaction. Regulators need LEIs to better gauge systemic risk, and risk managers at financial institutions need LEIs to better understand and aggregate counterparty exposures and risk.

A group of industry associations has recommended to regulators a group of organisations to provide the LEI solution, with DTCC as the proposed facilities manager for project. DTCC has responsibility for gathering, validating, storing and distributing various data on each legal entity. The other organisations recommended include the International Organisation for Standards (ISO), the Society for Worldwide Interbank Financial Telecommunication (SWIFT) and the Association of National Numbering Agencies (ANNA).

Societe Generale Securities Services (SGSS) has announced the appointment of **Jeanne Duvoux** as CEO and managing director in Italy. In this role, Duvoux will actively pursue the development of SGSS' activities in Italy and report to Bruno Prigent, global head of SGSS.

Duvoux was most recently deputy CEO of SGSS and, since October 2010, also SGSS' legal representative in Italy, where she was in charge of corporate and business functions. She joined SocGen in 1996 and progressed in various roles at SGSS after it acquired Unicredit's securities services business in 2006.

She replaces Massimo Cotella, who has joined the SGSS Executive Committee to supervise sales and marketing activities and SGSS' Liquidity Management Services.

Valeria Anderson will be taking a new role as senior salesperson, VP in the London Alternative Investment Services (AIS) business development team at BNY Mellon.

She has 14 years of experience in financial services, six years of which have been with BNY Mellon, first in the Paris office and most recently as a relationship manager for AIS in London. In her new role, Anderson will focus on developing the company's business with fund of hedge funds, managed account and UCITS platforms and on expanding the company's business in France.

In addition, **Brian McMahon**, managing director, business development executive, has been appointed as BNY Mellon's senior alternative industry facing executive in Luxembourg. McMahon previously held roles at Citi and State Street in investment services.

Both Anderson and McMahon report to Marina Lewin, global head of business development for AIS.

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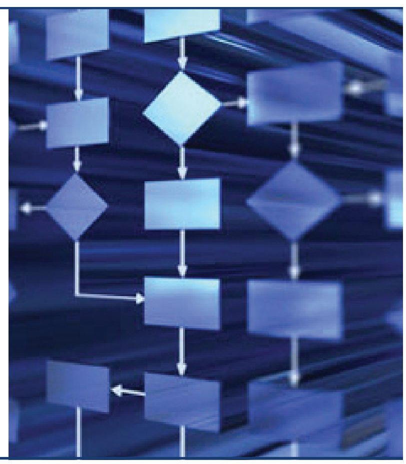
Southwest Securities has announced that SVP **Anton Berends** is the new head of Clearing Services and will be responsible for oversight of the principal broker-dealer's securities lending business.

"Anton has been a valuable member of Southwest Securities' team for over a decade and has earned the respect of both colleagues and clients throughout that time," said James H. Ross, Chief Executive Officer of SWS Group, Inc. "Anton began transitioning into this new role many months ago and his broad experience and industry knowledge uniquely position him to lead our clearing and securities lending businesses."

A 13-year veteran of the firm, Berends worked in Risk Management with former head of Clearing Services Paul Vinton until Vinton's retirement in December 2011. Prior to joining Southwest Securities, Berends was a business analyst with Triple-I of Colorado. He began his career in the securities industry in 1992 at Raymond James & Associates where he served in a variety of roles. **AST**



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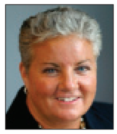

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