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BNY Mellon and Citi bag handful of mandates

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July saw BNY Mellon and Citi strike gold, as the two banks won multiple mandates to provide services for asset management firms and private equity funds.

Kimmeridge Energy Fund, which is a private equity fund that is based in New York and focuses on early-stage unconventional upstream energy investments in the US, selected Citi to provide it with private equity fund and cash administration services.

Citi will support the fund implementation and set-up, along with providing fund administration, accounting, US tax compliance and cash services.

"Citi's industry knowledge and expertise have been instrumental in supporting the launch of our new private equity fund," said Noam Lockshin, vice president of Kimmeridge Energy Fund.

"With Citi providing our private equity administration and cash services we can focus more of our time on looking for new investments and serving our investors."

Citi also scooped up another mandate from Huntington Asset Advisors, to provide fund administration, custody and index receipt services for Huntington Strategy Shares ETFs.

The first ETF, Huntington Ecological, was launched on 20 June, followed by the Rotating Strategy ETF on 25 June.

"We have a long-standing relationship with Citi and we knew we could rely on their expertise to provide valuable insight on how to develop active ETFs," said Randy Bateman, president of Huntington Asset Advisors.

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ASTINBRIEF

Private equity assets hit $3 trillion mark

Preqin's research shows that private equity funds' total assets under management worldwide have reached $3 trillion for the first time, but that a wide gulf exists between the performance of top and bottom quartile funds.

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S&P won't alter ratings for State Street

Standard & Poor's (S&P) Ratings Services has said that its ratings on State Street are not affected by the company's solid Q2 2012 earnings, which reflect flat fee revenue and lower compensation expenses than Q1 2012.

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BNY Mellon and Citi bag handful of mandates

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Another win for Citi saw Value Partners, one of Asia's largest asset management firms, select it to provide Value Partners's first UCITS-compliant fund, the Absolute Greater China Classic Fund, with global custody, fund administration and fiduciary services.

Launched in June 2012, the new UCITS fund is a sub-fund of Value Partners Ireland Fund, a Dublin-domiciled umbrella company that is regulated by the Central Bank of Ireland.

"Given the current challenging macro environment and the European sovereign debt crisis, investors are keen to explore fund products that have an Asian focus and exposure," said Timothy Tse, the COO of Value Partners.

"This UCITS fund provides investors with an opportunity to access the strong growth potential in Greater China at a relatively attractive valuation through a well-recognised, regulated vehicle. We are confident that Citi's global custody network, coupled with its regional expertise and scalable fund services platform will bring added value to our investors."

Dirk Jones, the global head of securities and fund services client sales management at Citi, said: "As investors continually look for new investment opportunities across multiple geographies and emerging markets, Citi's on-the-ground presence in over 100 markets can help leading fund managers such as Value Partners expand their reach and business."

BNY Mellon also received a mandate from an asset management firm, Marathon Asset Management. It appointed BNY Mellon as trustee, collateral administrator, paying agent and calculation agent for Marathon Asset Management's $356 million collateralised loan obligation (CLO).

In its role, BNY Mellon's corporate trust business will provide a variety of services for Marathon Asset Management, including processing principal and interest payments and maintaining bondholder records.

Jocelyn Lynch, managing director in BNY Mellon's corporate trust business, said that the firm remained committed to servicing the CLO marketplace, which he said had shown strong signs of life following the financial crisis.

In its largest mandate this year, BNY Mellon celebrated a $1 billion custody mandate from Taiwan's Bureau of Labor Insurance.

It will provide global custody, fund accounting, performance and risk analytics, and compliance services for the National Pension Insurance Fund, which has assets totalling approximately $1 billion.

"Taiwan continues to be a dynamic market as its funds industry becomes increasingly globalised," said Chong Jin Leow, head of Asia in BNY Mellon's asset servicing business.

"As Taiwanese asset managers diversify their portfolios through increased investment overseas, demand for global custody and related services from institutions like BNY Mellon, is on the rise."

James Liu, country executive for BNY Mellon in Taiwan, added: "Historically, Taiwanese pension funds have focused on the domestic equity markets in respect to their asset allocation strategies."

"This is slowly evolving with funds diversifying their strategies and seeking opportunities internationally, particularly in respect of equities, but also increasingly alternatives and emerging markets.

"As both a global custodian and a global investment manager, this increase in cross-border activities presents many opportunities for BNY Mellon to help Taiwanese pension funds achieve their goals."

Private equity assets hit $3 trillion mark

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Assets are calculated using unrealised portfolio value and the 'dry powder' (uncalled capital) available to private equity funds across the whole scope of the asset class.

Industry assets under management increased by 9 percent from December 2010 to December 2011.

The strongest period of growth of private equity industry AUM occurred in 2004 to 2007, when assets expanded by 136 percent, driven by the emergence of mega buyout funds.

However, the gap between top and bottom quartile private equity funds' performance has increased over recent quarters. Thirty-six percent of fund managers with a top quartile fund go on to manage a top quartile successor fund, and 62 percent overall outperform the median benchmark with their next fund.

Thirty-six percent of bottom quartile managers remain in that quartile with their next offering, while 56 percent underperform the median benchmark.

"The sustained growth of industry assets highlights the fact that private equity continues to be attractive to institutional investors that are willing to forgo liquidity in return for outperformance," commented Bronwyn Williams, manager of performance data at Preqin.

"When examining the 10-year performance of the asset class it is clear that private equity can generate superior returns; however, our analysis also highlights the wide gulf between the performance of top and bottom quartile funds. Consequently the key issue for investors remains identifying, researching and selecting the best potential fund managers for their portfolios."

S&P won't alter ratings for State Street

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"Positively, State Street continues to exhibit good new business growth in its core asset servicing business. However, we recognise that, in coming quarters, possible volatile market valuations may continue to dampen asset servicing and asset management fees, and net interest revenue may be further hindered by very low interest rates," said a statement from the ratings firm.

It also emphasised that State Street's ratings are not affected by the company's purchase of Goldman Sachs Administration Services (GSAS) for $550 million.

The deal, which is subject to regulatory approvals and other conditions, will go through in Q4 2012.

The acquisition would add about $200 billion in servicing assets to State Street's hedge fund administration business.

S&P stated that the acquisition fits well into State Street business platform and growth strategy. But it viewed the cash outlay unfavourably from a credit perspective, "especially given State Street's already aggressive, in our view, capital deployment for share repurchases."
Total operating revenue at State Street (including a small loss on Greek investment securities) was down about 1 percent, sequentially, as asset servicing fees were flat, trading services revenue was down, and securities lending revenue was seasonally higher. Assets under custody and administration of $22.4 trillion dipped 3 percent for the quarter.

Paladyne unveils new data suite

Paladyne Systems, a Broadridge Financial Solutions company, has a new release of Paladyne's Reference Data Suite, which services assets that are operated by hedge funds, investment managers, fund administrators and prime brokers.

"Given the laser-focus of the industry on improving the quality of their data while cutting the cost of managing reference data, we have added new functionality to the Paladyne Reference Data Suite to meet these needs," said Sameer Shalaby, president of Paladyne Systems.

"In addition, there is an increased focus on regulatory reporting within the industry and Paladyne is helping clients with a centralised reference data repository, clean data, and streamlined data flows to mitigate operational risk."

Key enhancements to Paladyne Reference Data Suite include a data governance module and Form PF reporting.

SGX takes securities margining to the streets

Singapore Exchange (SGX) is consulting the public on proposed rules to introduce margining for securities that are cleared by the central depository (CDP).

SGX stated that the proposed margin framework will, "reinforce CDP's position as a safe, efficient and transparent venue for participants to conduct business," mentioning that it will also align CDP's practices with new international standards established by the Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) for central counterparties in April 2012.

"At present, CDP maintains a clearing fund, comprising contributions from CDP and its members, that covers losses that may arise from the liquidation of a defaulting member's positions," stated SGX.

"With the proposed margin framework, CDP will hold additional financial resources from individual members which are available to meet their obligations in the event of their own default. If the margins are insufficient, the remaining losses will be covered by the clearing fund."

The key features of the proposed margin framework are that margins will be imposed on a member's portfolio of outstanding securities transactions, and member's margin requirement must be met by its own funds, and will be calculated using a single margin rate.

In its public consultation, SGX is seeking views on the proposed rules relating to the margin framework, including the methodology for maintenance margin and the determination of the margin rate.

Separately, SGX will also be consulting the public on other refinements to its clearing rules over the next few months to achieve closer alignment on other aspects of securities and derivatives clearing with the CPSS-IOSCO standards.

Chartis Research approves of SunGard for risk

Chartis Research has named SunGard Financial Systems as a category leader in its RiskTech Quadrant for Basel III technology solutions.

The advisory firm analysed a range of Basel III solutions for their completeness and market potential. SunGard's Adaptiv and Ambit solutions for on-and-off-balance sheet risk management scored highly in both.

Peyman Mestchian, managing partner at Chartis Research, said: "To adapt to the pressure on resources and the impact of new regulations, financial institutions will need to improve capital management; integrate functions, especially risk and finance, and front and back offices; and implement enterprise-wide risk management."

Harold Finders, the CEO of SunGard Financial Systems, added: "Our recognition as a category leader in Basel III solutions reflects our focus and investment to help financial services firms respond to regulatory change, which is one of their biggest challenges."

"We understand that in addition to high-quality software, our customers look to us to provide expert advice, professional services and hosting capabilities that help them to meet their Basel III obligations in the most optimal manner."

DST Global Solutions: corporate actions processing carries risk

An Australian Securities & Investments Commission (ASIC) report has revealed areas where corporate actions processing represents significant operational risk, according to DST Global Solutions, an investment management software technology and services provider.

The ASIC report highlighted nine areas where corporate actions processing represents significant operational risk. These included: extensive manual processing throughout the industry and associated timeline pressures to communicate notifications and instructions; opportunities for fraud arising from the use of faxed 'authorised instructions'; issues in identifying the effect of a corporate action; and the lack of auditing.

"The timing of this report could not be better, as it highlights the importance of best practice solutions to safeguard Australian investors' $1.82 trillion of assets held by custodians," said Philip Hogan, DST Global Solutions's managing director in the Asia-Pacific region. "Its findings support the need for custodians and their clients to adopt streamlined straight through processing (STP), and highlights the requirement for improved procedures to handle corporate actions activities."

DST Global Solutions recently agreed a strategic alliance with XSP, an end-to-end corporate actions solution provider.

Geoff Harries, the global head of asset servicing at DST Global Solutions, said: "The close working relationship we now have with XSP is very important as it enables us to take corporate actions processing to the next level with mobile technology, to further reduce the operational risk in the linkage from decision makers on the move to the operations staff and finally to instruct the custodians that support them."

"Corporate actions events are growing exponentially in both volume and complexity," said Brendan Farrell, Jr, the CEO of XSP. "For years, XSP has been working closely with Australian corporate actions experts to build a system that meets their unique requirements. The on-going development of XSP's product suite coincides with the emerging technologies—mobility, cloud computing and social collaboration—driving the markets."

"Harnessing the power of our corporate actions automation solutions with the strength of the DST Global Solutions HiPortfolio offering enables strategic and sustainable business outcomes that provide greater STP while helping to reduce operational risk. The ASIC report further supports the need for automation in this region."

Liquidnet offers access to Turkish equities

Institutional investors can now trade Turkish listed securities through institutional trading network Liquidnet's platform.

Liquidnet provides more than 700 institutional investors with access to 40 equity markets.

It has already introduced equities trading in Indonesia and Malaysia. Turkish equity trades will be executed through Liquidnet's local broker on the Istanbul Stock Exchange.

Per Lovén, the head of corporate strategy for Liquidnet Europe, said: "The Turkish economy has shown strong signs of growth despite global macro volatility, capturing the interest of portfolio managers globally. As Turkey continues on its path to becoming a regional financial powerhouse, institutional investors looking to unlock value in Turkish growth companies will now be able to source large-scale liquidity in those equities, with minimal market impact, through our trading network."

"Turkish equities are attractive from an investment perspective, and the addition of a new market to Liquidnet is welcomed as the ability to trade Turkish equities anonymously, in block size, is a favourable solution," said Mandy Pike, the global head of equity dealing at Aberdeen Asset Management.

Financial Stability Oversight Council names eight FMUs

The Financial Stability Oversight Council has designated eight financial market utilities (FMUs) as systemically important under Title VIII of the US Dodd-Frank Act.

Dodd-Frank enables the council to designate FMUs due to their role in clearing and settling transactions between financial institutions. The aim of the designations is to constrain risk and prevent future financial crises.

Clearing House Payments Company, CLS Bank International, Chicago Mercantile Exchange, the Depository Trust Company, Fixed Income Clearing Corporation, ICE Clear Credit, National Securities Clearing Corporation and OCC are the first to be designated as FMUs.

Dodd-Frank outlines four factors that the council must consider when determining whether an FMU is, or is likely to become, systemically important.

The four factors are: the aggregate monetary value of transactions processed by the FMU; the aggregate exposure of the FMU to its counterparties; the relationship, interdependencies or other interactions of the FMU with other FMUs or payment, clearing, or settlement activities; and the effect that the failure of or a disruption to the FMU would have on critical markets, financial institutions or the broader financial system.

Maples Fund Services adds to San Bernardino pension fund

Maples Fund Services will provide extra services for San Bernardino County Employees Retirement Association (SBCERA), the public pension fund, which include customised and consolidated risk reporting.

Maples Fund Services, a division of MaplesFS, and SBCERA, which has more than $6 billion in investment assets, have been working together on the operation of an $800 million bespoke hedge fund managed accounts program.

As part of its outsourced administration services, Maples Fund Services provides an online dashboard and set of analytical reports that enables the SBCERA investment team to actively monitor hedge fund managers that have discretion over assets within the program.

"Consolidated risk reporting is a logical extension of that work," said a statement from Maples. "By introducing data from third-party sources into the Maples Fund Services reporting platform, SBCERA gains additional insights and enhanced analytics across their entire investment portfolio."

"SBCERA has investigated and experienced several other solutions for consolidated risk reporting," said James Perry, senior investment officer at SBCERA. "The Maples value proposition was unique. The leading-edge technology and professional expertise brought by Maples was essential, but it is the responsiveness and flexibility of their staff that really makes them great partners for us."

"We collaborated with SBCERA for several months to design and develop a solution that would address their specific needs," said Scott Somerville, the CEO of MaplesFS.

"We believe that it represents a revolution in the way fiduciaries can demonstrate proper oversight of the increasingly sophisticated investment strategies employed by institutional investors."

Northern Trust survey reveals FATCA worries

Northern Trust found 55 percent of fund manager clients attending its Canary Wharf, London, workshop cited their greatest challenge associated with FATCA as "uncertainty around requirements".

"Non-US funds have never before undertaken withholding and reporting obligations to US tax authorities, and additional requirements such as W-8 forms (an Internal Revenue Service form that specifies an institution's US tax status) will present an extra challenge for them," said Kathy Dugan, FATCA product manager at Northern Trust.

Concerns were expressed around client confidentiality, which countries will be FATCA partners, and the tight timeline for implementation.

Of the fund managers that were surveyed, 66 percent were broadly aware of its implications, while only 20 percent were actively engaged with a project underway to manage the requirements ahead of the 1 July 2013 implementation.

Eagle teams up with MicroStrategy

Eagle Investment Systems, a subsidiary of BNY Mellon, has allied with MicroStrategy, a provider of business intelligence software.

Eagle plans to integrate the MicroStrategy platform with its own portfolio management solution.

"Our data management solution has always been built on innovative software that consolidates, validates and delivers vital information to our clients in the formats they need," said John Lehner, Eagle president and CEO.

"This alliance with MicroStrategy streamlines our ability to derive quality information from multiple sources and consistently deliver it as rich content to the web, iPads and smartphones, or to Microsoft Office applications."

"MicroStrategy is proud to provide Eagle Investment Systems and the investment management community with an enterprise reporting platform that's agile, easy to use, and gives fund managers the tools they need to interact with portfolio data on their smartphones and mobile devices," said Sanju Bansal, MicroStrategy COO.

"Leading financial organisations are deploying MicroStrategy's integrated platform to give their large user communities fast and direct access to business analytics through the use of user-friendly dashboards, interactive reporting, and innovative mobile apps."

Fidessa expands South Korean footprint with Daiwa

Daiwa has gone live on the Fidessa trading platform in South Korea.

The solution will be used by Daiwa's South Korean equity trading business in support of its domestic and international order flow, and "is part of a broader initiative that will see Fidessa provide Daiwa with a single trading platform across its Asian operations including Hong Kong, Singapore and Taiwan," said a statement from Fidessa.

"We have an extremely strong equity trading business in South Korea and therefore needed a system robust and scalable enough to support it," said John Zendano, managing director of IT for Daiwa in the Asia-Oceania region.

"Like elsewhere, regulators are driving change in the South Korean trading and investment markets. Experience tells us this could significantly affect our operating environment and we need to be ready to adapt to this."

"Fidessa has proven its ability to support us through periods of sustained change and complexity in other parts of the globe and therefore, partnering with them in South Korea, and indeed across the rest of Asia was, for us, the only option."

Daiwa is now trading the South Korean markets through Fidessa's localised trading platform. Specific local functionality includes basket/program trading, order management, and integration with the Korean Stock Exchange through Koscom, and conformance with the South Korean messaging protocol, KFIX.

The head of business development at Fidessa, David Jenkins, stressed the importance of localising its global solutions and infrastructure to cater for regional regulatory and market requirements, "ensuring firms like Daiwa are able to trade different markets from a consolidated platform as efficiently as possible."

BNY Mellon will be depositary bank for Unicharm

BNY Mellon will be the sponsored depositary bank for Unicharm Corporation's American depositary receipt (ADR) programme. Previously, Unicharm traded as an unsponsored ADR programme that was serviced by multiple depositaries.

It has five business segments: baby and child care, feminine care, healthcare, clean and fresh, and pet care.

"We look forward to using our new ADR program to make our equity more available to investors in the US," said Yasushi Akita, executive officer, general manager of accounting control and finance head office for Unicharm.

"Unicharm's decision to convert their unsponsored programme to a sponsored ADR programme shows their commitment to reaching the global investment community," said Michael Cole-Fontayn, the CEO of BNY Mellon's depositary receipts business.

SocGen settles in Egypt

Societe Generale Securities Services has been appointed by ITG to act as its settlement agent bank in Egypt.

Societe Generale through its subsidiary NSGB has been providing securities services in Egypt for more than 30 years. The bank has more than 160 branches and 4200 staff.

Headquartered in New York, ITG is an independent execution and research broker, with 17 offices in 10 countries. It partners with global portfolio managers and traders throughout the investment process.

Newedge picks Fidessa

Newedge has selected the Fidessa trading platform and order management system for its global derivatives and equity trading business.

The first phase of this project, covering trading hubs in London and Chicago, is now live, and the platform will be rolled out across hubs in Asia this year.

"The platform will provide Newedge with a multi-asset trading workflow solution across their front and middle-office operations—incorporating global order management, access to Newedge trading algorithms, FIX connectivity and smart order routing tools," said a statement from Fidessa.

Nicholas Garrow, the global head of eSolutions at Newedge, said: "Fidessa's sophisticated multi-asset workflow offering—including an integrated, multi-asset algorithmic trading engine and centralised pre-trade risk and monitoring tools—will play an integral role to deliver next-generation capabilities to our global clients spanning all asset classes."

Stephen Barrow, global sales director at Fidessa, added: "We believe that the firms that can harness the regulatory momentum that is bringing together the worlds of OTC and exchange-traded derivatives will have a significant competitive advantage."

Drawing the battle lines

AST talks to Justin Nadler of HedgeServ about the investor's best line of defence, and why the factory model just won't cut it

GEORGINA LAVERS REPORTS

HedgeServ supports all alternative investment structures—how do you differentiate your offerings for each?

We're customising applications to be specific to the fund of funds, or hedge funds, or private equity funds, and the requirements of particular managers, as opposed to legacy models that are simply trying to take one system and force them on each of the different types of funds.

In addition to doing core administration services, our tools are really built to service the investment manager in its day-to-day operations of the business, and not simply striking a NAV and providing accounting reports. Each of these product types has their own nuances that require you to build unique applications for each.

As a growing number of investment managers are trading multiple asset classes, you need to be able to provide an integrated and consolidated reporting from a firm-wide level. On top of legacy systems, firms have tried to solve the problem of supporting different classes by having different systems, so they don't have the necessary consolidated reporting or the ability to handle products natively. We've solved that by integrating all of our applications and operating on a single database platform.

It does not matter if you're a hedge fund or a fund of hedge funds, the marketplace continues to get more complex. With a lot of traditional fund administrators, the technology core is legacy custody or accounting systems that might have been very good 10 years ago at debits and credits, but product types that people are investing in now didn't exist at the time. Unfortunately, the solution for many has been a manual work-around, or a spreadsheet, to either fudge the security type or to tie all of these disparate systems together. As soon as you have people touching the keyboard or doing things on spreadsheets, that's when controls break down, and that's when you see some of the newspaper-worthy items hitting the press.

We want to make sure that everything we do is with process integrity. This means reflecting internally on our systems and really looking at what's going on; whether we're processing a trade, valuing a security or creating reports for an investor—we want it to be an accurate process. A good example is that even within the long/short equity sector, the majority of fund managers now have the ability to invest up and down the capital structure, so even things that used to be very simple workflows are becoming very complex, so the less manual work that is done, the better. Due diligence has become a lot more intensive and on-site, so many manual processes that have been hidden behind a web-based reporting layer are now starting to be discovered by investors. Manual work equals a big red flag for investors.

Bill Kelly is your new global head of sales and he is tasked with building relationships with hedge fund managers of all strategies—what are you hoping his expertise will bring to the firm?

We are certainly excited to have Bill Kelly join us. We currently have a great problem to have right now, in that we're getting a tremendous amount of business enquiries from all over the globe, especially growing demand in Europe and Asia. Traditionally, we've tended to have a smaller sales team that has focused on particular regions, and we're looking to address business demand by growing out the sales team globally. Bill Kelly has more than 30 years of experience that he has spent building and leading teams.

Do you think consolidation will improve or reduce competition?

One thing that we have been seeing in the press when people talk about the M&A level within fund administration is an emphasis more on quantity, ie, how big an administrator can get in terms of assets under administration, without really focusing on creating a new and better model through the merger, or raising the quality of service within fund administration.

We think that there's a real dichotomy going on, because we're starting to see institutional investors push managers to de-couple the administrator from the prime broker or the custodian. They're starting to put real importance on independence, and the feedback that we get from fund managers and investors is that people are starting to become negative on the traditional bank model of fund administration.

Traditional fund administration has been focused for a long time on the lowest cost of production, and not on improving the quality of services. You've seen the by-product of what I would call that 'factory model'; it's junior staff that are located in remote locations such as India, legacy technology, and overall very slow responsiveness to the current needs of managers around investor and regulatory requests.

It's a huge driver of why Goldman Sachs exited the marketplace recently. It was simply becoming too prohibitive for Goldman Sachs due to its desire to underinvest in the business to meet things such as Form PF support services or investor transparency reporting. We feel that competition will inherently be reduced, because there simply will be a smaller amount of administrators, and I think a large number of the boutique shops will really struggle, because of the 'check-the-box' influence in the marketplace.

Barriers of entry to starting a new fund are becoming higher and higher. The small administrators are going to see their potential business—the small startup funds—start to become more challenging to launch. But we're really focused on the idea that independent fund administration is becoming a very valuable commodity, and having a very high quality service in terms of a strong data model and very experienced people is going to become more important as fund managers and institutional investors are looking for the administrator to be a real partner, not just a vendor.

Will it be essential for fund administrators to become 24-hour providers?

We do believe that fund managers will need 24/7 access to their data. Whether that's accounting, portfolio, risk, or investor data, administration is becoming more and more about having a very high quality and flexible data set, because no-one has any idea of what's coming up next in terms of regulatory challenges. But we know that managers are going to need evermore flexible and on-demand reporting. What we've done is create a technology platform that is very open and transparent in terms of the accounting, portfolio, and investor data, and we provide fund managers with the same reporting tools that our own employees have to create customised reports on the fly. We've moved away from traditional batch processing, and the strict accounting software hierarchies that limited a manager's ability to get customised reporting.

In the past, fund administration was typically a monthly or end-of-day type service, and we've really seen best-practice move from T+1 to T+0 or real-time in terms of the importance of the controls underpinning the technology and the people needed to provide very critical information when the investor/manager needs it, and in the format that they need it.

We're coming back to the theme of not just striking an independent NAV—hedge funds now expect administrators to help support the business of investment management and they are really part of the day-to-day operations.

What's the outlook for the hedge fund industry and the administration business in particular?

Hedge funds are truly going to look to partner with their administrator. This means supporting their regulatory and compliance efforts, providing them with technology, reducing costs or switching costs to a variable cost model, as well as reducing their time to market for new strategies and products.

One phrase that everyone is seeing everywhere when it comes to the hedge fund industry is institutionalisation. I've seen studies saying that the alternative space will grow to 5+ trillion in the next few years, as pensions, endowments and other institutional investors increase their allocations significantly to the space.

Also, I saw the recent Corgentum survey saying the administrator is now viewed as the most important service provider to hedge funds. In terms of administration and how it fits into an institutionalised alternatives industry, with increased opportunity needs to come increased responsibility. Administration really needs to migrate away from that factory model and invest in people and technology to the level where they can become a real, legitimate extension of the fund manager and frankly, a great first line of defence for the investor. **AST**

Justin Nadler
President and co-founder
HedgeServ

Safe in the storm

GEORGINA LAVERS REPORTS

The safe-haven status of the Nordics extends itself to custody, but low liquidity remains a potential obstacle, as AST finds out

Even as most Nordic banks outperformed market expectations in Q2 2012, with revenue trends developing nicely despite the falling interest rate levels, analysts warned that most countries in the region still face declining economic growth.

Nordea reported a 17 percent rise in Q2 net profit to $1.01 billion, while Swedbank reported an 8.4 percent drop in net profit, to $450.5 million. Both banks said that they attracted new customers in the quarter, even though the effects of the European debt crisis are starting to show in the Nordic region as well.

The strong market performance will affect custody in the region, both positively and negatively. Nordic countries are becoming increasingly popular as bases for global custody offices, but some fear that there will be too much demand on a finite pool of talent. In setting up their offices, heavy hitters such as BNY Mellon tend to hire locals, or relocate staff members who have a good knowledge of the region, as well as working relationships already in place.

Anders Tvilde, senior product manager at Nordea, disagrees that internationals are increasing pressure on local resources. He says: "As there is a certain degree of harmonisation within custody, and also redundancy in the local broker community, we don't experience any major strain on reserves."

Nordic differences

As with any region, countries may hold differing strategies and financial systems. Tvilde says: "The main difference between the Nordic markets is the segregation of trading venues, where Denmark, Finland and Sweden are using Nasdaq OMX, and Norway uses Oslo Børs. Since the termination of the Norex [Nordic exchanges] agreement, Norway has been focused on cooperation with London Stock Exchange while the other markets have become a part of Nasdaq. Equally the clearing differs as Norway has appointed an internal CCP [central counterparty] as the incumbent."

However, he maintains that despite having separate legislation and central securities depositories (CSDs), the processes and custody service offering across the countries is fairly harmonised.

Ulf Norén, global head of sub-custody at SEB, states that although there are tight credit conditions and available liquidity is drying up, the effects in the Nordics and the Baltics have, in comparison to most other European markets, been less dramatic, following good fundamental conditions for the Nordics, and a severe adjustment during the early years of the crisis for the Baltics.

"As a bank we have, like a few of our competitors, a situation where we look robust and have increased agency ratings," says Norén. "How a continued euro crisis affects us is hard to say. Sovereign exposure and counterparty exposure to the crisis countries is minimal but worries are of course that other counterparties from other countries have significant exposure in Greece, Italy, Spain and Portugal."

"The sub-custody environment is vibrant, will be subject to changes of scale and will have to cope with a record high and forced adoptions of new rule books. In addition to this, customer demand will be increasing and razor sharp, with very low patience levels for adoption. The development of sub-custody services is intimately connected to a bigger picture European trend—our analysis stems from looking at life from that angle."

A perhaps unwelcome neighbour to customer demand is the continuous squeezing of custody fee margins. Norén comments: "We will see a general tendency towards true unbundling of fees but that is not a big shift: we will also continue to see relationships set up according to current bundled model, we will see cost plus models and fixed fees, infrastructure cost distribution plus margin and models where you operate with capped fees. It is though important to always face this from the difficult equation where both agent banks and clients are looking to reduced cost bases and reduced risk. Can one have both?"

T2S and CCPs

Implementation of CCP clearing in all Nordic markets is moving forward, with the Nasdaq OMX markets having CCP clearing for more than 90 percent of their cash equity trading.

Tvilde says: "Currently EMCF is the only CCP clearing from the exchange but EuroCCP and SIX X-Clear have been appointed to take part in competitive clearing. The interoperability should have been implemented in April 2012 but it has been postponed until further notice due to regulatory issues and lack of level playing field. Oslo Børs has full clearing of cash equities, using Oslo Clearing. Oslo Clearing of course is a part of the Oslo Børs VPS Holding company. LCH Clearnet has been appointed as the second CCP and expects to be interoperable by the end of 2012."

As for how T2S playing out in the region, "only Finland has expressed a clear yes," comments Norén. "I think that T2S effects will come out no matter whether it is introduced in a particular market or not. The clients' options for how to deal with the cross border flows with T2S will increase, and those T2S benefits will be desirable also in markets standing on the outside. VP in Denmark will go early with their EUR activity in VP LUX while the DKK activity preliminary is scheduled for 2018."

"Regarding Denmark and T2S," says Tvilde, "VP has signed the FA with T2S and the Central Bank has promised to make DKK available as from 2018. The Danish market, inclusive VP Securities and VP Lux, will join with EUR from the start and DKK from 2018."

Blurring the lines

Despite the harmonising effects that T2S could bring to the Nordic region, distinctions exist between custodians and sub-custodians, although this may be reducing.

"Although the boundary between sub-custody and global custody is blurring, there is still a clear distinction between them," says Tvilde. "Clients have different requirements on their sub-custodian compared with their requirements of their global custodian. There's a reason why the major players still use sub-custodians as these have a strong local market experience and knowledge of local market practice."

"However, projects such as T2S will most likely have an effect on the number of market players. High IT development costs, in combination with clients' requirement of reducing number of providers to be able to reduce risk, will likely decrease the number of single market sub-custodians. However, we believe the sub-custodians will continue to play a major part in the Nordic infrastructure for the years to come."

Norén disagrees, asserting that sub-custodians will continue to play a considerable role and will actually increase their contribution to the value chain as a whole. "But the industry will consist of fewer players with a wider geographical reach."

The region is also seeing a trend of moving from a single market provider to regional providers. Tvilde says that the trend has been ongoing for a few years, and is continuing towards the implementation of T2S.

Norén underscores the high client focus on provider consolidation, with the past seven to eight years seeing shifts by the client in its choice of sub-custodian. "In our region, we now see less than five major names using more than two providers in the region and in no case where the reason for a shift has been anything but reciprocity or a strategic cooperation deal have we seen clients moving anywhere else than to SEB or Nordea."

"This will continue and the major reasons can be summoned up to be a result of even more fee and competitive pressure, the fact that regionals are a better fit for the cross border client needs in almost all dimensions, and finally, that regionals have a superior ability to run a clients influence and change agenda over multiple country borders." **AST**

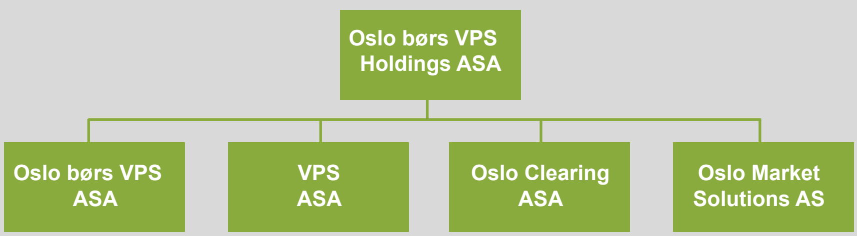
Norway uncovered

Norway offers marked differences from Denmark, Sweden, Finland and Iceland, but in terms of custody, Norén feels confident that the market is not unusual enough to warrant concern.

"By not being a part of the Nasdaq-OMX Exchange family, by not having EMCF as the CCP of the incumbent exchange and by being a vertical silo market all through the trading, clearing and CSD chain, Norway is different," explains Norén.

In 2011, Oslo Børs hit a snag in its efforts to float on its own stock exchange, with Norway's FSA unusually advising the government to refuse the application.

Tvilde breaks down the silo market in Norway: "Oslo Børs VPS Holding ASA is the holding company for the exchange, CSD and the CCP. The CSD and the exchange merged in 2007. The group has an entity for all steps in the securities flow from the pre to post trade and asset servicing."



Industry appointments

Fidessa has strengthened its Boston-based North American buy-side business with the promotion of **Megan McKeever Costello** to the position of president.

In her new role, Costello will drive and manage the growth and development of Fidessa's buy-side business. She will oversee sales, strategy, client management, business development and internal operations, and she will report to Paul Nokes, Fidessa's global buy-side CEO.

Costello has spent six years at Fidessa as an executive responsible for buy-side client services. Before joining Fidessa, she was executive director of global integration consulting at Omgeo. She has also held senior positions at Reuters America and TIBCO Software, and she began her career at Thomson Financial Services.

Nokes said: "Costello's intrinsic knowledge of the company's buy-side products and services, as well as her deep understanding of our clients and the challenges and opportunities they face in the marketplace, will yield many material contributions to the business as we continue to leverage Fidessa's global footprint and assert our regional presence from Boston."

Avondale Solutions has appointed two new associates, **Adam Tattersall** and **Gunther Gommes**, after a successful first year in business.

The company, which specialises in providing consultancy and directorship services, was formed last year by Kerry-Anne Marais, formerly managing director of Augentius Fund Administration.

Gemini Fund Services has made key management promotions as well as the relocation of its two offices.

Andrew Rogers has been appointed as CEO and **Kevin Wolf** has been named president. Rogers, who previously served as president, will continue to lead the company, with a major focus of his efforts on new business development.

Wolf, formerly the executive vice president, will oversee Gemini's operations in the areas of fund accounting, fund administration, legal administration, tax and compliance, technology and transfer agency.

Gemini has also made seven management appointments.

Five new senior vice presidents have been announced; **Kara Baird** for transfer agent, **Jim Colantino** for fund administration, **Michael McDermott** for fund accounting, **Wendy Wang** for tax and compliance, **James Ash** for legal administration, and **Larie Lydick** for technology.

Chris Baird has been named associate vice president of dealer services, and **Susan Hansen** is the new vice president of client services.

LCH.Clearnet has appointed **Martin Ryan** as group head of operations and client services.

Ryan will report to LCH.Clearnet group COO Christophe Hemon. He has moved to LCH.Clearnet from RBS, where he was managing director and head of markets operations for three years. Hemon has also worked at Morgan Stanley and J.P. Morgan.

Hemon said: "The variety and range of experience Ryan has from his previous roles have given him a broad skill set that will enable him to successfully fulfill the LCH.Clearnet role and add significant value to our company."

Mirae Asset Global Investments (MAGI) has appointed **Howard Atkinson** as the global head of ETF sales and marketing for MAGI's ETF business.

Atkinson is currently the president of Horizons ETFs Management in Canada, a subsidiary of MAGI. He will remain as president, but oversee the sales and marketing initiatives of MAGI's global ETF business, which operates from offices in Australia, Canada, Hong Kong, South Korea and most recently the US, where regulatory filings have been made with the US SEC to launch ETFs.

Prior to joining Horizons Canada, Howard was responsible for the exchange traded products business at Barclays Global Investors Canada. He is also the current chair of the Canadian ETF Association.

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Northern Trust has hired former Korte Consulting partner **Jeff Kearny** to lead new business development for asset servicing in the Western United States.

Kearny will focus on business development for institutional clients on the West Coast and in the mountain states, including corporations, public pension funds, insurance companies and not-for-profit institutions. He reports to Dunham.

He joins from Korte & Associates Consulting, where he was a partner and managing director of consulting.

Prior to joining Korte, Kearny spent 12 years at Mercer, where he was a principal and senior consultant and a founding member of Mercer's dedicated investment operations consulting unit, Mercer Sentinel Group. **AST**

Heather Nagle

AST speaks with Heather Nagle, who works in sales and marketing at Koger and is based in Paramus, New Jersey, about her career, regrets and aspirations

How have you got to where you are now in your career?

I really started from the bottom and worked my way up. I began at Koger when I was in my last year of college working as a part time receptionist with a vision of having a career that involved traveling and working closely with people, as I have always been a people person. With an interest in learning about the industry, I moved up to a business analyst position, where I became familiar with the terminology of the industry. Then I was promoted to a sales position, which is where I am today.

To what extent did the industry meet your expectations?

My position in sales and marketing is a multifaceted role. My daily tasks include many duties in marketing such as conference coordination, producing newsletters and advertising documents, and maintaining communication with prospective clients.

I have an amazing job where I meet people and learn something new every day. I am also surrounded by a great team and great mentors, and have been given the opportunity to travel and get the chance to meet many intelligent, successful people, which is what I had anticipated.

What would you change about your industry?

We continue to face a devastating national and global economic crisis with many failed businesses and lost jobs and an uncertain future for many.

Lack of regulation in the financial industry has been cited as a contributor to our economic state. If I could change the industry, I would want the preventative regulatory measures that are now being taken within the industry to prevent unethical financial practices and to create equilibrium within our society.

Do you have any role models in the industry who have helped or inspired you?

It was not only the hard work and ambition that got me where I am today, but it was the people who have believed in me, inspired me and pushed me to do better.

Ras Sipko, who is the COO of Koger, has always had a vision of me working in sales and has given me the incredible opportunity to grow within the company.

Laurentiu Balan, a former technical support manager, has provided me with a strong knowledge of our products and the industry.

Chris DeNigris, the sales and marketing manager, has always encouraged me to do my best by providing me with mentoring, encouragement and the opportunity to use my creativity. I also work with a great team of people at Koger who bring different skill sets and personalities to the table.

What are your ambitions?

I would like to utilise my abilities and skills, and continue to grow. The finance industry is forever changing and always fascinating, and I hope to continue to learn from the people who I work with and new people who I encounter.

What about your regrets?

I have made plenty of mistakes, but I have no regrets. I am happy with the path that I have taken and I am grateful for the things that I have worked for and have achieved.

If you weren't in your current industry, what would you be doing?

I would love to be an Olympic star athlete, preferably playing beach volleyball.

What are your interests and hobbies?

To keep fit, I enjoy working out. I particularly enjoy kickboxing and mixed martial arts. For entertainment, I enjoy going to the movies, concerts, Broadway shows and going out for a nice dinner. I also love reading and being by the beach. AST