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Russia entices foreigners to capital markets with its new CSD

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In a landmark development for the Russian capital markets, central securities depository (CSD) status has been granted to Moscow Exchange Group's National Settlement Depository (NSD).

After a decade of lobbying, Russian regulator the Federal Financial Markets Service signed off on NSD's status as the country's CSD on 1 November, with its creation helping the country with its ambitions to become one of the world's main centres of global finance by 2020.

The NSD declared that it hoped to increase transparency in securities ownership, improve efficiency and give international investors easier access to Russian securities.

Over time, the depository is also expected to enhance liquidity and lower settlement costs, while ensuring that all market participants operate on the same post-trading platform.

Many global and local custodians have applauded the move, saying that the depository will help to glue back together a structure of settlements that in the past, rendered US funds unable to use Russian depositories under US SEC Rule 17f-7.

NSD is expected to meet the requirements of rule 17f-7, allowing US funds to invest directly in Russian securities. Foreign central depositories will be able to open nominee accounts with the CSD, and federal, sub-federal, municipal and corporate bonds of Russian issuers will benefit from links with international central securities depositories (ICSDs) by the end of 2012.

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ASTINBRIEF

BNY Mellon seals the deal with Thomas Miller

Thomas Miller Investment (TMI) has signed a ten-year administration and custody outsourcing agreement with BNY Mellon.

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BNP Paribas launches local custody service in US

BNP Paribas Securities Services is set to launch a local custody service in the US to provide post-trade services to multi-national banks and brokers.

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Russia entices foreigners to capital markets with new CSD

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NSD is the depository of MICEX, the Russian exchange that completed a merger with peer exchange RTS in December 2011, creating Moscow Exchange Group. Over the course of this year, NSD has merged the operations of RTS's legacy depository, DCC, into its own.

Alexander Afanasiev, CEO of Moscow Exchange Group, said that the CSD's creation is one the most important reforms of the Moscow Exchange.

"Other key reforms include changes to the listing rules, the introduction of settlement in T+n and creating a single family of indexes. These are the necessary elements of a modern, competitive exchange infrastructure and their implementation make the entire Russian financial market more attractive."

NSD was the front-runner for the CSD from the outset and Eddie Astanin, chairman of its executive board, said that the team has worked hard to unite the Russian settlement infrastructure under the NSD brand.

Clearstream is ready to take the necessary steps to open a direct account with NSD, pointing to its sub-custodian in Moscow as proof of its commitment to the market.

Mark Gem, member of the executive board and head of business management at Clearstream, said that the firm had been very positive about the creation of the CSD from the outset. "We fully support this development which is part of a broader plan to increase the appeal of the market to non-resident investors. We will also work with our partners on any future initiatives that provide non-resident investors the opportunity to hold a greater breadth of instruments with the clear advantages that the NSD will deliver in terms of legal safety and operational efficiency."

Marek Zacal, custody relationship manager at Czech bank CSOB, called the establishment of a Russian CSD a "significant change".

He said: "From our own experience in the Czech Republic, a new central depository brought several features that made post-trade servicing much easier. Clearing and settlement is finally done in one house, which brings more effectiveness in communication with market participants and cost reduction in terms of single technical platform."

"On the other hand, full nominee concept has still not been adopted in the Czech CSD. Therefore, from my perspective, the opening of foreign nominee accounts is undoubtedly one of the biggest milestones for the Russian financial market."

BNY Mellon seals the deal with Thomas Miller

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BNY Mellon's asset servicing group will be responsible for TMI's institutional business, while BNY Mellon company Pershing will take charge of TMI's private investment management business.

TMI's agreement with BNY Mellon will cover both the onshore and offshore requirements of the firm.

Mike Balfour, chief executive at TMI, said: "Thomas Miller Investment is investing to provide a first class service for all our clients and as such we undertook a thorough review of our administrative capability. By outsourcing these functions we will be able to focus on our areas of knowledge and expertise, which lie within investment management. We are now in a position where the business can grow steadily, and as this happens this deal will allow us to expand our offering by making available our services to larger companies."

Daron Pearce, head of global financial institutions for EMEA at BNY Mellon, said: "This long-term partnership with Thomas Miller Investment will see us provide an array of key services into their front and middle offices. Our robust and scalable OnCore middle office solution will enable TMI to focus on investment performance and growing their business."

BNY Mellon will also provide global custody services to Allianz Bank Bulgaria, a subsidiary of Germany's Allianz Group.

The Bulgarian bank acts as an intermediary for its parent's four other Bulgarian financial service companies: Allianz Bulgaria Insurance Company, a P&C insurer; Allianz Bulgaria Life, a life insurance company; Allianz Bulgaria Pension Company and Allianz Leasing Bulgaria.

Svetoslav Gavriiski, CEO of Allianz Bank Bulgaria, said: "BNY Mellon's global coverage and innovative solutions make it the ideal partner for us. Our own close collaboration with BNY Mellon, as well as its existing strong relationships across the Allianz Group as a whole, will ensure that we can further optimise our processes and so focus more closely on our core business."

Christopher Porter, regional executive for Central and Southeastern Europe at BNY Mellon, said: "This new mandate presents BNY Mellon with a welcome opportunity to enhance Allianz Bulgaria's own local market product offering via our core investment services capabilities, while further expanding our global cooperation with the Allianz Group itself. We recognise considerable growth potential in Allianz's regional strategy and are very pleased to be a part of that story by helping them to meet their goals."

BNP Paribas launches local custody service in US

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The new custody service will offer local clearing, settlement and custody of all major asset classes listed on NYSE Euronext and Nasdaq OMX, and connect directly to the US Depository Trust and Clearing Corporation.

"Extending our sub-custody capabilities to include the US means that we will become the local custodian for more than 90 percent of our clients' global assets," said Patrick Colle, chief executive of BNP Paribas Securities Services.

"Asset safety has never been as important to investors as it is today, and with our strength of balance sheet and now local capabilities in the US, we feel that we will offer investors a unique proposition," added Colle.

Claudine Gallagher, regional manager of North America at BNP Paribas, said: "North America is a crucial market to investors whether on the buy or sell side, in Europe or Asia. Processing our first transactions as a local custodian in the US will be an important milestone in our commitment towards supporting US investors and an increasingly global client base."

Edgewood L Select has also chosen BNP Paribas to provide it with global custody, transfer agency and corporate domiciliation.

Edgewood—a Luxembourg domiciled UCITS fund—already has $730 million in custody at BNP Paribas as of 30 September 2012.

Following the mergence of Edgewood Management funds into Edgewood L Select, the total assets held at BNP Paribas will be $915 million, subject to shareholder approval.

Alexander Farman-Farmaian, chairman of Edgewood, said: "We aim to deliver sustainable long-term performance by investing in high-quality growth companies, primarily based in the US."

"As one of the largest administrators of UCITS funds with a heritage in strong client service, BNP Paribas was the stand-out contender."

Claudine Gallagher, regional manager for North America at BNP Paribas, said: "We're obviously delighted to have won this mandate from Edgewood. This development builds on a well established relationship that we have developed with them and it is a great example of the value that we can offer."

East Capital SICAV appoints SGSS Italy

East Capital SICAV has recruited Societe Generale Securities Services (SGSS) in Italy to act as its local transfer agent, providing a complete range of securities services.

East Capital is an independent asset manager, which specialises in the emerging markets of Eastern Europe and China.

SGSS's securities services include clearing, custody and trustee services, fund administration, liquidity management and transfer agent services.

Meanwhile, Swiss Life Asset Management has chosen SGSS to provide securities services for 60 investment funds totaling €5.5 billion of AUM.

SGSS will provide the French UCITS with fund administration and securities lending services, whilst providing the Luxembourg UCITS with domiciliation, custody, fund administration and securities lending services.

Deutsche Bank races on the Autobahn

Deutsche Bank has launched the industry's first app-based fund solution that provides access to Deutsche Bank's fund administration services via its Autobahn App Market.

The Autobahn App Market is a web-based distribution channel of 150 Apps that contains tools for fund managers, including charting and commentary.

Core apps for alternatives managers include hedge fund administration, investor and private equity reporting, trade order management, and a Form PF tool.

Don Dempster, president of DLK Investment Management, said: "A demonstration speaks 1000 words for this platform. Our investment and research team was nothing but impressed with the capabilities and wealth of information that can now be leveraged when becoming a client of Deutsche Bank's fund services team."

Butterfield Fulcrum tickles Irish government over expansion

Fund administrator Butterfield Fulcrum is set to expand operations in Dublin, with the creation of 150 new jobs over the next three years.

The group, which started its Irish operations in 2009, announced the need for 150 additional

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workers in the fields of middle office and customer relationship management, delighting Ireland's minister for jobs, Richard Burton.

Burton said that international financial services was a key sector in the government's plan for jobs and growth.

Butterfield Fulcrum's CEO, Glenn Henderson, said: "Butterfield Fulcrum has had a very positive experience in Dublin. Our experience with the Irish labour market has been phenomenal. Our clients have been very impressed with the calibre of those we have hired in Ireland. Today's expansion is as a result of this success."

Ireland changes up funds regime as AIFMD nears implementation

The Central Bank of Ireland has proposed enhancements to its non-UCITS regime in preparation for the Alternative Investment Fund Managers Directive (AIFMD).

It is proposed that the current qualifying investor fund (QIF) regime will be replaced with a new qualifying investor alternative investment fund (QIAIF) regime.

For retail investors in non-UCITS products, a separate retail investor alternative investment fund (RIAIF) regime will be created.

The new QIAIF regime will remove the longstanding promoter regime, as well as specific additional prime broker and counterparty credit rating requirements.

Changes to share class rules, the issuance of partly paid units and the removal of existing property fund rules also hope to ease the establishing of both private equity and property funds in Ireland.

In addition, all existing non-UCITS guidance notes, Non-UCITS notices and policy documents that the central bank of Ireland issues will be replaced with a new single handbook covering all aspects of regulation for alternative investment fund managers, QIAIFs, RIAIFs, and depository and administrator requirements.

"This consolidation will see the removal of countless minor regulatory requirements which have come into place over the years. Overall, these changes will result in a more efficient and streamlined regulatory environment for all types of alternative investment funds in Ireland," said a statement from the Irish Funds Industry Association.

MarketAxess set to acquire Xtrakter from Euroclear

MarketAxess, the US operator of an electronic trading platform, has agreed to purchase Xtrakter, a capital markets data provider.

MarketAxess plans to acquire Xtraker, which is a wholly owned subsidiary of Euroclear, for £26 million in cash plus transaction costs. The company expects to complete the transaction in Q1 2013.

Rick McVey, CEO of MarketAxess, said: "Xtrakter is a strong fit with our business and provides MarketAxess with an expanded set of services that are highly complementary to our core strengths in electronic trading, market data and straight-through processing solutions for the global credit markets."

"Xtrakter is a leading provider of regulatory trade reporting to the UK Financial Services Authority and is well positioned to play a key role in the UK and other European markets as regulators look to reduce trade settlement risk and increase market transparency under the proposed MiFID II mandate," added McVey.

Tim Howell, CEO of Euroclear, said: "Xtrakter colleagues and clients will find an innovative and strong team at MarketAxess who are eager to move quickly and assertively to develop the portfolio of Xtrakter services to meet changing market needs."

SWIFT partners with SmartStream

SWIFT has selected SmartStream Technologies to develop Accord, SWIFT's confirmation matching engine.

As part of the agreement, SmartStream will provide a number of underlying components of the updated Accord platform, including elements of the Transaction Lifecycle Management solution suite.

Philippe Chambadal, CEO of SmartStream, said: "The combination of SmartStream's sophisticated matching and integration solutions, SWIFT's security and availability credentials and our joint experience in the global matching arena, will allow us to deliver together a highly efficient service.

"We're excited to see our products leveraged in this way, creating an industry owned, market leading confirmation service which will support clients and communities in need of a common matching platform as they seek to control the cost and risk of trading a broader array of products in increasing volumes."

The first release of the new Accord platform will be launched in early 2014 with further releases to follow.

US IRS delays FATCA

The US Internal Revenue Service has delayed the implementation date of the Foreign Account Tax Compliance Act (FATCA) for non-US financial institutions in countries that are not covered by an intergovernmental agreement (IGA) with the US.

Instead of the begining of 2013, institutions now have until 1 January 2014 to put compliance procedures in place, and until January 2017 to start withholding taxes from customer accounts.

The delay is so that countries that have not entered into IGAs can be aligned with countries that have, such as the UK, France, Spain, Italy and Germany.

In a hopeful note to clients, Deloitte said that the 1 January 2013 effective date is "statutorily mandated and thus it would take an act of Congress to change it." However, the firm also alluded to a July 2011 a notice from the IRS, which provided long-awaited transitional relief for significant obligations under FATCA.

"The IRS stated in the accompanying news release that using a phased implementation takes into account concerns raised in comments to Notice 2010-60 and Notice 2011-34 and the IRS' desire to provide a workable timeline for FATCA implementation," said Deloitte.

Apex branches out

Apex Fund Services, an independent fund administration firm, is expanding in the US with the opening of its San Francisco office.

The new San Francisco office will be home to Apex's business development team, promoting the firms fund solution services to local fund managers.

West coast fund managers will benefit from Apex's front office software and technology, risk and reporting and full back office fund accounting and transfer agency services.

Peter Hughes, group managing director at Apex Fund Services, said: "Apex's global footprint continues to make its mark on the international fund industry as we bring to bear our full range of fund administration products and services to the high concentration of investment managers in the San Francisco area."

Alex Chapman, head of business development at Apex Fund Services on the West Coast, said: "We have recognised the growing needs of our managers to have the right partners to ensure their success. At Apex we cater for large, medium and small managers looking for a total fund solution service in the ever competitive funds arena where transparency and accountability are key differentiators in attracting capital."

Malta's fund industry sees steady rise

Malta Financial Services Authority (MFSA) statistics have shown that the number of funds that are domiciled in Malta has risen.

Over the first six months of 2012, there has been a four percent increase in the number of funds receiving MSFA authorisation.

The MFSA has reported that in the first half of this year, 65 new collective scheme licences have been issued, including 59 professional investor funds, five UCITS funds and one retail non-UCITS fund.

“A key aspect of the sector’s success is the country’s legislation for professional investor funds (PIFs). In face, the net asset value of PIFs increased by almost 23 percent from €5.8 billion in December 2011 to €7.2 billion in June 2012. The number of PIFs likewise increased by almost four percent over the same period and stood at 460 at the end of June 2012. Registration of UCITS funds stood at €2.3 billion at the end of June 2012, €0.7 billion or 40 percent higher from end 2011,” said a statement from the Malta Financial Industry Association (MFIA).

Kenneth Farrugia, chairman of the MFIA, said: “These results are being driven by a number of key factors which include the high standards of regulatory oversight, the presence of an accessible regulatory body, the availability of highly qualified and multilingual human resources as well as the highly competitive set up and ongoing operational costs.”

Interactive Data opts for XSP software

Interactive Data Corporation’s global corporate actions data is now available through XSP’s new cloud-based offering, XSPrisa.

Interactive Data and XSP’s union will help financial institutions obtain on-demand access to global corporate actions data and streamline integration of this data into their technology platforms.

”Corporate actions data continues to increase in volume and complexity, which presents financial institutions with a wide range of enterprise-wide challenges related to trading operations and management of risk,” said Robin Simpson, managing director of reference data at Interactive Data.

“The availability of our global corporate actions data through XSP’s cloud-based solution is an extension of our longstanding relationship with XSP.”

Brendan Farrell, CEO at XSP, said: “XSPrisa’s ability to help reduce costs with a fast, simplified deployment provides the ease and flexibility needed to automate the capture and processing of information from global data leaders like Interactive Data.”

“Providing Interactive Data’s corporate actions data through XSPrisa offers the financial community an innovative integrated solution to streamline corporate actions processing.”

XSP has also released its Japanese User Interface (UI) for XSPrisa SaaS.

The new solution uses the XSP GOI presentation platform in conjunction with cloud computing technology, enabling XSP to quickly develop customisable UIs.

“The XSPrisa SaaS offering provides clients with the ability to tailor their consumption of the solution while reducing operational overhead and capital expenditure. With XSPrisa, firms experience higher levels of productivity and efficiency at a cost that fits the way they do business with XSP’s pay-as-you-go, subscription-based model,” said a statement from the firm.

Farrell said: “As XSP continues to gain global traction, it looks to establish enhanced functionality to break down market barriers. With corporate actions volumes escalating worldwide year over year, companies that have deployed the XSP system continue to have a competitive advantage and comply with industry standards without seeing an increase in expenditures.”

Daniel Retzer, managing director and chief technology officer at XSP, said: “To address the growing demands of the Japanese market, we now can offer XSP with a Japanese UI, giving users a better understanding of the application’s functionality and reducing the risks associated with complex event processing.”

Chapman’s Eye on the market

And so it begins

We in the recruitment business are often called ‘the confidence canaries’, as we are invariably the first to get a sense of when there might be movement, be it positive or negative, in the confidence levels of the financial institutions with whom we deal. However, if I said that most of us are concentrating on clinging to our perches at present, you might get a sense of the prevailing atmosphere; in the face of reduced NII, shrinking margins, lower volumes and ever-stiffer competition, firms are constantly looking to cut costs by either making do with existing staff, reducing staff numbers or increasingly using internal candidates. Certain jobseekers may have to change their areas of focus, geographical locations or overall approaches in order to secure new roles. There is also the real danger that some may have to leave the industry altogether. It is generally felt that it will take some time before true confidence returns to the market in the way it prevailed pre-2008, and it won’t happen until the euro crisis is resolved, if indeed that is truly possible.

In saying that, all is not doom and gloom. If given a finite level of supply of quality talent, banks, asset managers and exchanges are still keen to speak with people who can truly bring change—and revenue—to their firms. While it is difficult, if nigh on impossible as well as downright foolish, for an institutional salesperson to ‘guarantee’ to be able to bring revenue to any given firm, if a candidate has the right background, level of drive and cultural flexibility, then they will find that many doors are still open to them. For many candidates, this might mean a permanent move or a long-distance commuting arrangement. Certain firms have successfully up-skilled and raised the average talent level by thinking more laterally and by sourcing their candidates both from further afield and also from more obscure or diverse locations or industries.

It is against this background of turmoil, change, opportunity and risk that I’ve been asked to put electronic pen to paper on a regular basis via this column, so that I can share some insight into what’s happening in the asset servicing industry globally, with the aim of dispelling some myths about the market, hopefully giving some impartial words of wisdom about how to secure a new position if you are potentially looking for a change, and how to source the right candidate if you are a hiring manager. I welcome healthy debate, so if there’s any topic that you’d like me to raise or opine on, do drop me a line at paul@hornbychapman.com

Paul Chapman, managing director, HornbyChapman Ltd

A tech takeover

"The bank of the future will be a technology company with a banking licence", said one Sibos 2012 attendee. This sums up the largest conference of the year for the securities industry, which took place in Osaka, Japan

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The four-day conference kicked off—quite literally—with a female judo champion hurling the director of the Financial Services Network, Dr Christopher Sier, across the room. The message was simple: if you're quick enough, size does not matter.

William Saito, founder of technology consultancy InTecur, also made an interesting point about achievement, sagely noting: "The opposite of success is not failure. It's doing nothing". It drove home the point that apathy will never be an adequate response from a business.

Elsewhere, professor Tom Poppe, the standards expert at SWIFT, took his audience through the ins and outs of messaging, which was suitable for both dummies and experts alike.

"In the 1970s, there wasn't a lot when it came to communicating between banks. There was plenty of paper, fax and telex … and that's about it. It was ambiguous content: say Japan had to send a payment message to Chile, undoubtedly there would be some misunderstanding as to the language and content. The misunderstanding was enormous, there was a high operating cost, and unstable connections."

Catherine Bessant, global technology and operations executive at Bank of America, discussed big trends in IT for financial services, and in doing so, expressed her hatred of the catchphrase 'big data'.

"I hate the phrase big data—it sounds so mysterious. But I do think data is one of the most important things that banks and financial institutions have got to get right. Protection of the firm is the one thing that keeps me awake at night."

Bessant and moderator Paul Taylor of the Financial Times also discussed BNY Mellon's recent security breach, with Bessant commenting: "In events of the last three to four weeks, multiple institutions were targeted, and not just financial, either. There has to be an aggressive methodology in place. One thing that's different about my job is that, compared to just 18 months ago, 25 percent of work day-to-day right now is based around information security."

Cyber attacks were in the hearts and minds of others, as David Bannatyne of National Australia Bank, Mark Clancy of DTCC and Srood Sherif of the National Bank of Abu Dhabi made their thoughts known in a separate discussion.

Bannatyne lamented the anonymous nature of the internet, and stressed that attacks can be from the least likely source; anything from a computer that controls an air conditioning system in a university, to a badly maintained home computer.

"We no longer have proprietary banking platforms any more, it's all done through the internet—so the risk is great. It's only going to get worse. We know that during a football game in Australia, everyone's going online and checking their accounts at half time, we have customers that are checking their accounts multiple times a day, whereas you used to just go into your bank once a week—a month, even. The internet was never designed as a financial instrument; it was for educational purposes."

Clancy demonstrated how even those who work in financial services can be duped by cyber espionage. "The most extreme version would be an email saying, 'hey, I saw you at Sibos, took some pictures, please click the link to see them'. The bad guys, or social engineers, know behaviours that people will fall into."

In closing remarks, the talk was mainly of banks adapting legacy systems—simplifying procedures whilst also improving the quality of service—but the conference took a different turn with the presence of Muhammad Yunus, a Nobel Peace Prize winner who developed the concepts of micro-credit and micro-finance.

As he described watching villagers become victims to loan sharks and building a bank based on loaning to the poor, it was clear that while the motives may be quite different, the concept of innovation is a vital message to the financial services industry.

After all, Japan is solving a land shortage by building islands in the sea. Perhaps the financial industry will look to this, and Yunus's innovation, as inspiration for its own future. **AST**

Beating the repercussions

Since FATCA's introduction, there has been a slew of predictions on how the financial services industry will adapt. AST talks to Colin Camp of Dion, who explains that things are not as bad as they might appear

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What do you think of the most recent FATCA delays?

I think that there was a widespread expectation that the US IRS would delay implementation. Deadlines were coming up very fast and the requirements have still not been finalised. The Foreign Account Tax Compliance Act (FATCA) regulations are very complex and reach deep into the operations of financial firms across the world.

It seems that the key factor was the negotiations that are taking place between the IRS and many countries on Inter Governmental Agreements (IGAs), which have slowed the IRS's ability to finalise requirements and dates. These negotiations are uncovering a number of local obstacles that need to be overcome, either through the FATCA regulations or individual IGAs. Also, the issue of reciprocity leads to an increased burden on the US financial services industry, which is something that was probably not foreseen when the regulations were drafted.

With the delay in the initial timeframes, the IRS is giving itself time for it and the various countries to iron out these issues so that timeframes for the FATCA regulations and the IGA regulations are in sync. It offers some breathing space, but it does not reduce either the scale or the complexity of the challenge ahead so it's important that firms do not ease up in their efforts here.

Is the delay a good thing for a solutions provider?

Dion has spent a significant amount of time understanding the requirements and building our solutions to ensure that they are configurable and flexible enough to cater for future changes. Consequently, these solutions are ready to go whenever the regulations are confirmed.

It's important for everyone to have the regulations confirmed as soon as possible. However, experience has taught us just how complex the implementation of such regulations can be.

One thing is certain though—the delay means financial firms will follow one of two paths. Some will push the requirements to one side for six months or so, potentially returning to them no further down the line than they are now, but with a significantly shorter timeframe in which to get systems and procedures in line with the requirements. Others—the smarter firms—will use the time to think about what solution needs to be deployed strategically to handle the uncertain future, rather than implementing a tactical solution that will need to be changed before too long.

The advisory firm deVere Group said that it had seen an increase in Americans renouncing citizenship—what do you make of this?

There have been a number of statements since FATCA was introduced about financial services firms refusing US clients or, indeed, Americans renouncing their citizenship. I think that this is a classic knee-jerk reaction. People are now accepting that economic circumstances dictate that countries will focus on trying to identify any areas where they can increase their tax revenue.

In reality, once the appropriate systems are in place, these regulations should have limited impact on financial services firms.

We shouldn't forget that the vast majority of US citizens living abroad report their taxable income as required. These laws are simply being implemented to ensure this is happening across the board.

What about foreign governments seeking a quid pro quo arrangement?

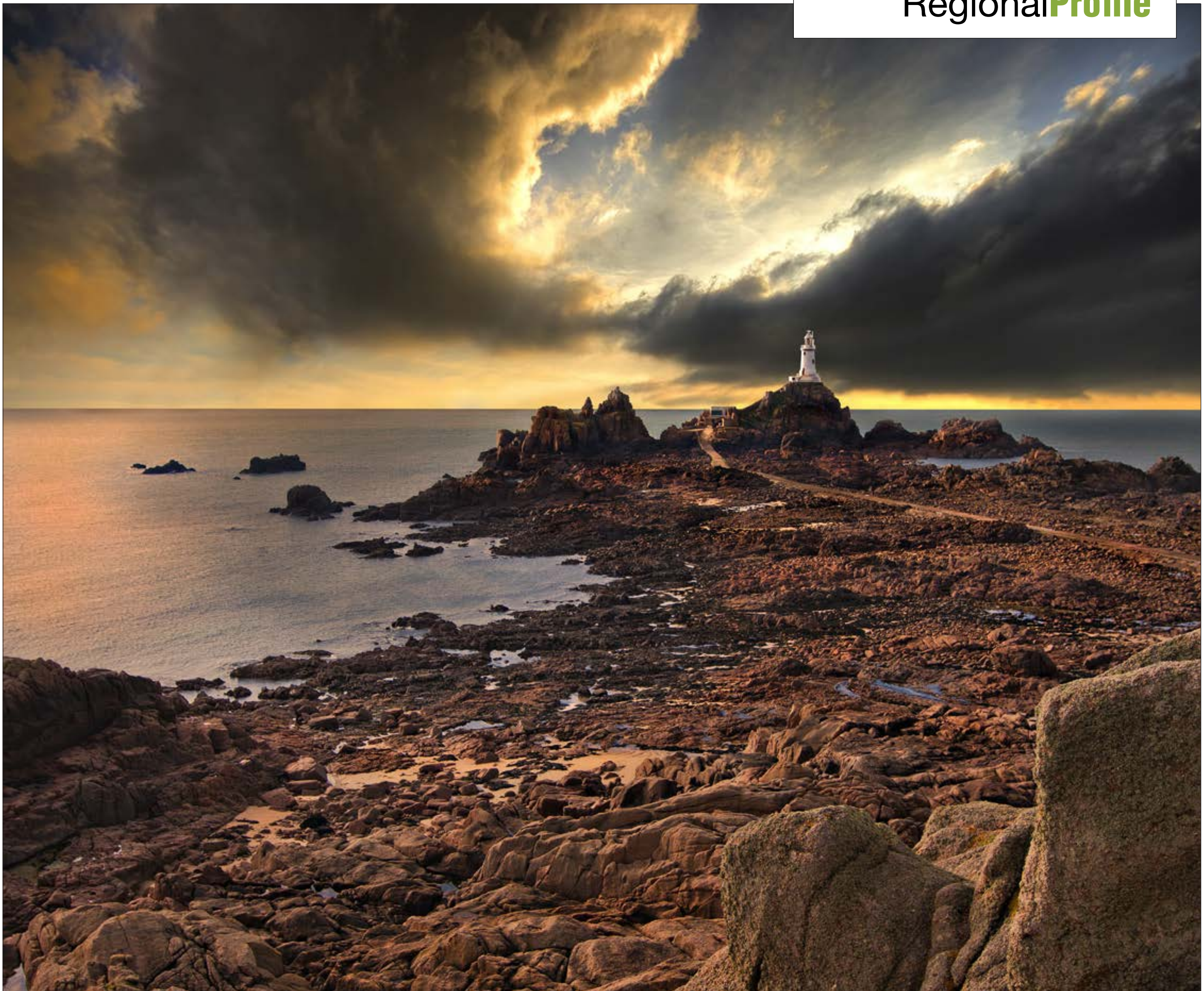
Absolutely, this is one of the main components of the IGAs currently being negotiated. It isn't just the US government that is keen to learn where their tax payers have their wealth.

It is not unreasonable to expect that FATCA could be the first step on a global client tax identification and reporting network. If this comes to fruition, firms will need to know much more about their clients and be responsible for reporting to overseas tax bodies.

With our partner, Mahindra Satyam, we have developed two solutions with modules that can assist firms with their FATCA compliance management and checks, client data management and FATCA eligibility, withholding tax management, and reporting to the IRS, fiscal authorities, clients and MIS. Both of these solutions have been built on top of frameworks that were deployed across our client base.

Our solutions, FATCA FORCE and FATCA TRAC, have been designed from the outset to be highly configurable in order to handle both impending changes and similar taxation initiatives from other countries. AST

Colin Camp
Head of product and strategy
Dion Global Solutions



Niche to see you

Jersey and Guernsey are embracing the gradual shift from servicing the traditional fund to something a little bit special, as AST finds out

GEORGINA LAVERS REPORTS

The most recent news springing from the Channel Islands came on Halloween, when RBC Wealth Management launched its intermediary wealth solutions, offering services from treasury to global custody, with Adam Norris nabbed from HSBC Private Bank to lead business development.

New offerings and solutions are par for the course for the islands, which have become increasingly press-savvy, and are keen to be known as a servicing centre that manages the most complex of funds.

Fiona Le Poidevin, chief executive of Guernsey Finance, states that Guernsey has an investment fund industry with a heritage that stretches back half a century, but it has been the last 20 years which has really seen a shift in focus.

"During the past two decades, the sector has seen a gradual yet sustained shift where the balance of business has moved from being largely retail, equity-traded/cash-based schemes to predominantly institutional, alternative and niche funds. This experience means that the island has built a wealth of expertise and first-class infrastructure for the structuring, management, administration and custody of the widest range of funds, including hedge funds/funds of hedge funds, property and private equity."

Le Poidevin used the latest figures from the Guernsey Financial Services Commission (GFSC) to show that, while Guernsey has seen a slight dip in funds under administration year-on-year, the island has come on in leaps and bounds compared to two years ago. "The total net asset value of funds under management and administration in the island grew £711 million during the second quarter of the year to reach £270.8 billion at the end of June 2012. This represents a decrease of £3.6 billion (1.3 percent) year-on-year but is up £46.6 billion (20.8 percent) on the same time two years ago and an increase of £101.2 billion (59.6 percent) since the end of June 2009. What we can see is that overall the sector is stable, with the continuation of longer term trends such as the growth in the servicing of non-Guernsey open ended schemes and the more notable increase in work related to Guernsey closed ended funds."

The Jersey fund industry saw a 3.5 percent increase in the NAV of funds under administration in Q1 2012, according to figures from the Jersey Financial Services Commission. The total number of regulated funds grew by 1.4 percent and the total number of unregulated funds increased by 8.4 percent, with regulated fund stocks at 1412: their best performance since 2009.

Le Poidevin adds that there have also been a number of positive announcements in recent months related to Guernsey closed ended funds across a number of different sectors, such as infrastructure, renewable energy and mining, with diverse geographical interests, including the UK, Europe, Africa and Brazil.

"However, the most notable recent development was Coller Capital announcing the final closing of its latest Guernsey fund, Coller International Partners VI, with commitments of $5.5 billion. This is yet another high profile example of the fact that Guernsey is recognised as one of the leading jurisdictions for closed ended funds and in particular private equity, which represents more than £80 billion of our total funds business."

Gerald Hough, managing director of State Street Investor Services in the Channel Islands explains the bank's presence in the market, agreeing that the islands are ramping up their presence in the alternatives sector.

"State Street entered the Channel Islands in two ways. Firstly was the acquisition of the Scottish Widows investment administration business from Lloyds Bank in the UK in 2000, which included a trustee company in Guernsey, and the second was the acquisition of Deutsche Bank's custody business in 2003, which included administration and custody companies in Jersey. On both islands, they were well-established and profitable businesses which gave the company an excellent foundation for further growth."

"[We] expanded our presence in the Channel Islands with the acquisition of Mourant International Finance Administration in April 2010 and this brought considerable servicing capability in the alternatives sector; specifically private equity, hedge fund and real estate administration. We believe the islands have had specialist fund capability for many years and have experienced excellent growth so are not aware that there has been a need to re-establish."

"The island also continues to be recognised for its ability to provide a domicile from which structures can be listed on a wide range of stock exchanges, including the London Stock Exchange (LSE), the local Channel Islands Stock Exchange (CISX) as well as the Hong Kong Stock Exchange (HKEx), among many others globally," states Le Poidevin.

"Indeed, data to the end of last year shows that there were more Guernsey entities listed on the markets of the LSE than from any other jurisdiction in the world apart from the UK and eight more have been added so far this year across the Specialist Fund Market (SFM), Alternative Investment Market (AIM) and Main Market."

Mystery solved

Inevitably, regulations pose challenges for the islands, along with how fund administrators should support continued growth with limited resources, and whether outsourcing of back-office functions is necessary.

"Both islands need to exercise a degree of control over population expansion," states Hough. "There is therefore some difficulty in finding well qualified staff to fulfill the demands of a sector that is and has been growing strongly for two decades. We are lucky at State Street as we have been able to attract top talent ensuring the service delivery to clients is of a high quality and fully compliant with the regulators. The opportunity to leverage our global footprint and capability is critical to being able to continue this upward growth trajectory and if done in a cost effective way can generate good quality income for the islands."

However, directives and regulations—the financial industry's own 'meddling kids'—may be a blessing in disguise for the islands.

"There is quite a high demand for custody on the islands and this can only increase with the introduction of AIFMD (Alternative Investment Fund Managers Directive) legislation in Europe and Dodd-Frank regulation in the US," explains Hough. "Also it makes for good practice for investors to ask for segregation of assets between administration and custody as affords them improved protection. The major global custodians are all represented on the Islands. Given the moves being made by regulators to impose depository liability risk on custodians there are not many firms outside on the top ten with balance sheet strength able to support the provision of sub-custody services."

Guernsey recently revealed plans to have two parallel regulatory regimes for investment funds when AIFMD comes into force.

Le Poidevin reiterates Guernsey's intention to introduce a regime that is fully AIFMD-compliant, while also maintaining the existing regulations for those investors and managers that do not require an AIFMD fund.

"It had been expected that the final Level 2 rules for the detailed implementation of AIFMD would be published in early autumn but now it is believed that this might not happen until December. The delay is fuelling speculation that the July 2013 deadline for the rules being transposed into local legislation may be put back but this remains unclear," said a release from Guernsey Finance.

Le Poidevin says that Guernsey will operate a full AIFMD-equivalent regime for those EU investors and managers that are obliged to take this route or any investors or managers that choose this as their preferred option.

"For non-EU investors and managers, investing in the EU and globally, there will remain a parallel regime with its own appropriate set of regulations. This will also be available to EU investors who are able to take advantage of the national private placement regime in the immediate term or those who fall outside the scope of AIFMD."

Neale Jehan, executive director at KPMG in Guernsey and chairman of the technical committee of the Guernsey Investment Fund Association, is leading the local fund industry's response to the directive, and says that as a non-EU jurisdiction with close proximity and business ties to the EU, it is essential that Guernsey complies with the regime for clients that wish to take advantage of it.

"However, we must recognise that we have clients whose business does not touch the EU at all in terms of management or marketing of funds and it is important that these clients have the choice to elect to fall under the AIFMD regime or remain outside, as is their right."

For the island that has complete autonomy over internal affairs, it seems apt that Guernsey has decided to do what it wants when it comes to AIFMD. And Jersey too has decided to be all things to all people, with a report from PwC stating that the island is exploring the possibility of enhancing the existing regime by enabling a complimentary fund product, providing the option to mirror investor protection elements of the AIFMD, "without suffering some of the inappropriate operational constraints".

It seems as though the sense of anxiety so prevalent on the mainland has bypassed the islands somewhat, with a recent report revealing 54 percent and 51 percent of investors in Jersey and Guernsey respectively think that the outlook for the next 10 years is positive

And with a multi-tiered approach to directives, a fairly solid amount of funds under administration, and a first-class reputation for specialist funds, the islands seem set to remain attractive domiciles for fund managers across the globe. **AST**

Transfer agency: the Asian question

AST opens the floor to a panel of experts who opine on how transfer agency services in the Asian market differ from the rest of the world

How are transfer agency services in Asia different from services in Europe or America?

Keith Hale
Executive vice president, client and business development
Multifonds

Transfer agency services in the Asian markets, particularly those outside of the more mature Asian markets such as Hong Kong, Singapore and Taiwan, which permits direct sale of offshore funds, tend to be more domestic and retail-oriented, requiring local client servicing staff and local language support, including local language reporting to both investors and regulators.

With ongoing economic growth in Asia, capital from Europe and North America continues to flow into the region. Global asset managers continue to create products that are centered around Asian investment strategies and develop their distribution capabilities domestically, regionally and globally. For example, emerging market equity funds that are tracked by EPFR Global Research recorded their sixth straight week of inflows for the week ending 17 October 2012, bringing inflows to more than $21 billion so far in 2012.

In many Asian markets, a few of the top local banks typically dominate mass market and mass affluent distribution. Private banks with financial advisor networks typically control the majority of high net worth relationships in Asia, so developing the relationship with the key local distributors appears to be crucial for the success for regional distribution in Asia.

Local managers are similarly developing local products that are tailored to Asian investors' appetite, many incorporating a capital-protected element or alternative strategies similar to those that are permitted under the UCITS regime.

A notable change in Asia is the growing availability of alternative investment products that aimed at retail investors. These products are coming under the regulator's spotlight as they push for greater distribution oversight, pre-contract disclosure and risk management processes.

Therefore, the types of transfer agency services that are sought after in Asia are rather wide, covering anything from a cross-border distribution support (sub-transfer agency or regional transfer agency services) to local transfer agency services for locally domiciled funds, which may include an alternatives element, such as, for example, performance fee calculations and equalisation.

Outsourcing is not as prevalent as it is in Europe or America, mainly as a result of either local reporting requirements or regulatory restrictions. Various Asian markets still prohibit offshore funds being sold directly in their markets. The ability to passport funds in Europe represents one of the significant differences between Asia and Europe. A fund passport is not currently available in Asia although there are various initiatives for such a fund passport or bilateral mutual recognition agreement between countries (for example, Hong Kong's and Taiwan's cross listing of exchange-traded funds). An Asia fund passport is likely to emerge to compete with domestic and UCITS fund distribution in Asia.

While this presents challenges for fund distribution across Asia, providing efficient transfer agency processing and distribution support is key and at Multifonds, we work in partnership with our global clients to help them achieve this.

Philip Dempsey
Head of operations
Koger (Dublin)

Asia is still developing as a transfer agency centre. Europe and the US have had many more years to develop and mature. It is important to point out there are many similarities between these regions. Recently, the industry is seeing more senior, seasoned industry professionals transfer from Europe / the US to Asia. Their brief is to set up new operations in Asia, which will often look to model themselves on the successful models that are used in Europe / the US.

Additionally, many of the investment products on the market in Asia, especially products under the UCITS wrapper, have been administered for many years in Europe, for example. These senior professionals are therefore familiar with these products, so they understand what is required from an operational and technological perspective.

However, differences still exist, often in the form of technology platforms. In Asia, these platforms may be less complex. This facet of the business is rapidly changing over time. In many cases, Asian regions such as Hong Kong have already caught up with Europe / the US. There may also be a perception that there is a less varied product range that is administered in Asia. This perception is rapidly changing. It will also take time for local Asian industry professionals to get to the same level of industry experience as their US and European counterparts.

Paul O'Neil
Head of Asian operations
International Financial Data Services

Services and the requirements are different in a number of ways across these markets. The US is a mature market that is dominated by retail and wire houses. Europe is fragmented with retail transfer agency existing at the distribution level (for example, banks in Germany and France) and with platforms in the UK.

With Asian markets evolving, transfer agents need to bring a new level of customer centric solutions, while ensuring that all risks are managed and operations are compliant. As Asia is a collection of individual countries with differing needs, customs and expectations at the customer and distributor level, there is a need to support both cross-border distributed product as well as domestic product, custom servicing requirements country by country, with some common elements of operations and processes, and with AML and KYC processes handled locally. All of this requires the transfer agent's technology and tool kits to be flexible and easily adaptable in a greater scale across Asia than we see in Europe or the US. There is a consistent need for the transfer agent to enable and support distribution in multiple markets on behalf of the client.

Jonathan Willis
Head of transfer agency EMEA & APAC
BNY Mellon Asset Servicing

Any differentiation needs to be driven by the needs of the holy trinity—investor, distributor and fund manager / third-party administrators, regardless of geographic location.

In Europe (and outside of the regulatory arena), the focus from a fund manager / third-party administrator is on better risk management with enhanced reporting and improved operational controls. From distributors, there is a desire for additional 'value add' services, for example, in the UK to help facilitate the collection of advisor fees post the implementation of the Retail Distribution Review. Investors themselves are becoming increasingly savvy regarding products and procedures and are more likely to self serve than at any time. As a consequence, a transfer agent needs to provide prompt and accurate data to investors at the point in time that they require it and via the mechanism of their choosing (web, SMS, phone) as well as providing more streamlined ways of doing business.

In Asia, the same principles apply, but in addition notice needs to be taken of the manual elements of the business in terms of management and control. Transfer agents therefore also need to put in place services that can allow them to efficiently handle these elements, while at the same time establishing a strategy to encourage distributors to take advantage of any existing automation so that both parties can benefit from the operational improvements that delivers.

Transfer agents will always need to manage these requirements, some of which will not intrinsically change the nature of their business, but will add value to their service propositions. In conjunction with this, there should also be focus on commonality across the regions so that operational synergy and efficiencies can be exploited to reduce operational costs or gain competitive advantage.

Neil Richards
Product manager GTAS
Bravura Solutions

Overall, Asia's less homogeneous requirements make it less scalable. America has NSCC, Europe has Euroclear, Clearstream and Calastone, and together with passporting, fund requirements help automation. Asia is much more locally focused as a region. **AST**

Industry appointments

BNY Mellon has appointed **Marina Lewin** as head of sales for its asset servicing business in the Americas.

Lewin will be based in New York and report to Samir Pandiri, CEO of Americas asset servicing and alternative investment services.

In addition to managing teams in the US, Dublin, London and Hong Kong, Lewin will continue to lead global sales for BNY Mellon's alternatives investment services group.

HSBC Securities Services has named **Clive Triance** as head of broker-dealer middle office insourcing and **Lloyd Ushe** as director of broker-dealer middle office infrastructure.

They have joined the broker-dealer outsourcing team, which is a part of HSBC Securities Services' sub-custody and clearing business, from execution, clearing, middle-office outsourcing and settlement services provider Penson Europe, where Triance was CEO and Ushe was chief technology officer.

Former Instinet Europe, Citi and Cantor Fitzgerald executive Triance will be based in London, while Ushe, who previously worked as a consultant at Société Générale, will be based in Hong Kong.

Paladyne Systems has hired **Paul Cucurullo** as its senior director of sales.

Cucurullo joins Paladyne from BNY Mellon asset servicing sunsidary, Eagle Investment Systems, where he was regional sales director.

BNP Paribas Securities Services has bagged **Katharine Seymour** as its new head of relationship management for its asset owner clients in Australia.

Seymour most recently ran the institutional relationship management team for Blackrock Investment Management.

In her new role, Seymour will be in charge of managing relationships and service delivery for BNP Paribas' clients. Seymour will report to Ken Shaw, head of sales and relationship management.

Standard Chartered has named **Sridhar Kanthadai** as its new regional head of transaction banking for North East Asia.

Sridhar is based in Hong Kong and formally assumed his new position on 15 October 2012, reporting to Jiten Arora, global head of sales, transaction banking, and to Darcy Lai, regional head of origination and client coverage for North East Asia.

Sridhar joins Standard Chartered from Citi where he held a number of senior positions, most recently as managing director of head of treasury and trade solutions, Asia Pacific.

UniCredit's head of global transaction banking, **Marco Bolgiani**, is stepping down from his role at the end of November.

Olivier Khayat, deputy head of corporate and investment banking, will temporarily take over the role, in addition to his current responsibilities.

Andrew Knowles has moved to RIMES Technologies to head up business development for its compliance services division.

In his new role, Knowles will be responsible for further developing the firm's data management solutions for the buy side through use of RIMES Benchmark Data Service (RIMES BDS).

Based in London, Knowles will report to Christian Fauvelais, CEO and co-founder of RIMES.

BNY Mellon has appointed **Navin Suri** as Asia-Pacific (APAC) head of intermediary distribution.

Suri joins BNY Mellon from ING Investment Management, where he was managing director and CEO for the firm's business in India.

The newly created position highlights BNY Mellon's expansion of distribution partnerships in the region.

Based in Hong Kong, Suri will report to Alan Harden, CEO for BNY Mellon's APAC investment management business, and London-based PeterPaul Pardi, who is BNY Mellon's head of global distribution.

Suri will be responsible for developing and managing the APAC intermediary sales strategy and distribution channel network and relationships. In addition Suri will focus on building new partnerships with consumer banks, private banks, securities companies and other financial intermediaries. **AST**

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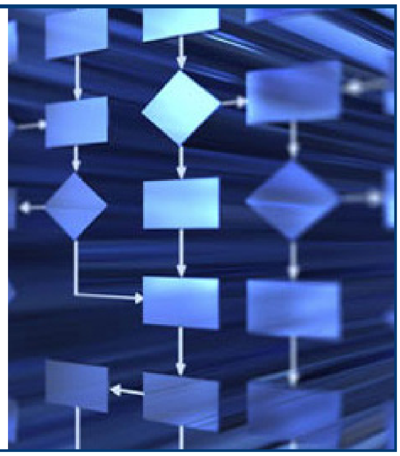

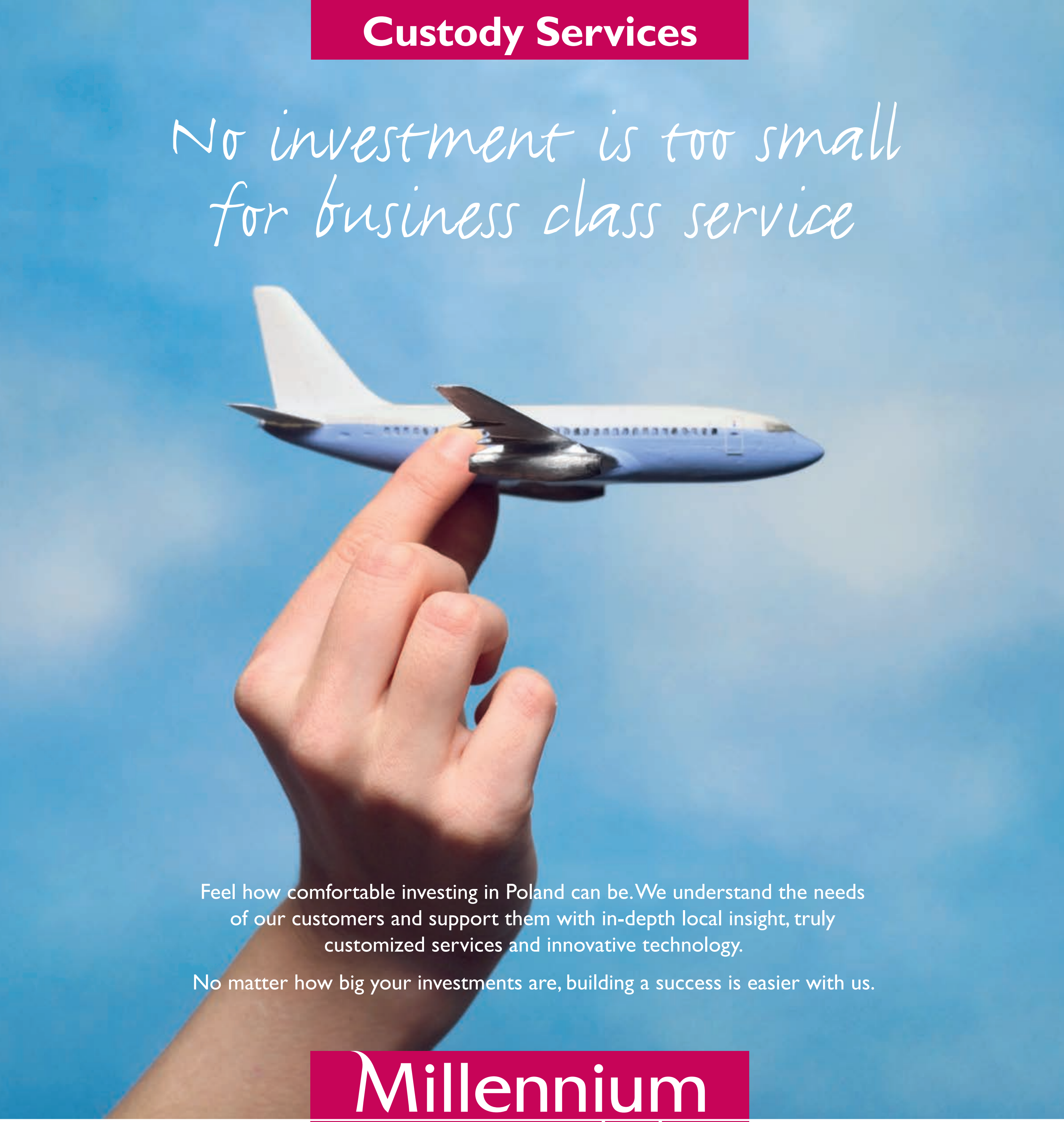

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