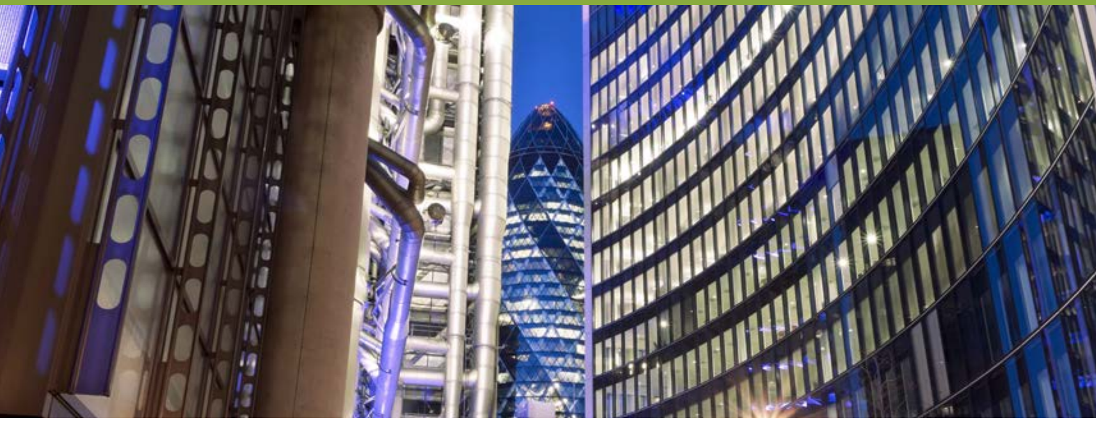
ASSETSERVICINGTIMES

ISSUE057
WEDNESDAY
06.02.2013
assetservicingtimes.com



BNP Paribas launches trustee and depository service in the UK

LONDON 05.02.2012

BNP Paribas Securities Services has expanded its independent trustee and depository service to the UK market, in light of the Alternative Investment Fund Managers Directive (AIFMD) coming into play this summer.

James McAleenan, head of BNP Paribas Securities Services UK, said that the directive's effects will be significant for UK fund managers, requiring implementation of new infrastructures, new distribution networks and for certain businesses new legal frameworks.

"Appointing a trustee and depository is already a requirement for several types of investment schemes including UCITS, non-UCITS retail schemes, qualified investor schemes among others. Under the AIFMD, a new series of funds will come under the same regulatory obligation, including alternative funds, but also non-UCITS funds like investment trusts."

"This is not a simple process and with less than six months to go, poses serious challenges for our industry. The launch reinforces our continuous commitment to the UK market and is in line with our strategic objectives to support unit and investment trusts, as well as other open ended investment companies (OEICs) in the UK, which are both UCITS and non-UCITS compliant, particularly ahead of the AIFMD deadline."

With just under $7 trillion assets under custody and years of experience in the trustee and depository space in Europe, the bank proclaimed itself to be in an "excellent" position to leverage its long-standing trustee and depository offering with the UK market.

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ASTINBRIEF

Apex steps confidently into Uruguay

Apex Fund Services has continued expanding into the Latin American markets with the opening of its new office in Montevideo, Uruguay.

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Sanne Group buys into State Street Jersey

Sanne Group has entered into an agreement to acquire the capital markets corporate administration business of State Street Jersey.

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BNP Paribas launches trustee and depository service in the UK

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"Asset managers are faced with significant challenges in the face of regulatory change and our role is to relieve the burden from them and make the transition as easy as possible," said McAleenan.

"Appointing a depository bank is mandatory under AIFMD, but asset managers will also need to implement liquidity and risk management systems, provide compliant reporting and so on. They need a provider with a close knowledge of the regulation, as well as a service offering to help them move forward through this ever developing regulatory landscape."

"In addition to the usual oversight functions, the depository will now also be responsible for the safekeeping of assets and cash monitoring. Safety of assets is a top priority for managers. We ensure this by having access to a huge proprietary local custody network allows us to hold up to 90 percent of clients' assets with BNP Paribas."

BNP's depository bank and trustee services are operational in 15 jurisdictions. It provides full depository bank services in France and Spain, depository bank and compliance monitoring in Germany, Italy and Luxembourg, trustee services in Ireland, Jersey, Guernsey, the Isle of Man and Singapore, and compliance monitoring in Australia, New-Zealand, Switzerland and Monaco.

Apex steps confidently into Uruguay

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Similarly to the Apex Miami office, which opened in June 2012 and is successfully linking US managers to Latin America, Apex Uruguay will now play a key role in opening up the territory to the world's fund managers, said a statement from the firm.

With operating costs for asset managers lower in Uruguay than in Brazil, Apex argues that outsourcing to its firm provides independence and cost savings that significantly benefit the bottom line for managers.

Peter Hughes, group managing director of Apex Fund Services, said: "Apex's total fund solutions are now available in every continent in the world. Our Global Reach, Local Presence strategy is now reaching deep into LatAm as Apex's full range of fund products and services are made available to both local and offshore fund managers."

"Accuracy and trust are paramount when servicing funds. Wherever clients see the Apex logo they can be 100 percent certain of receiving the same high levels of reliable and personalised fund services anywhere around the world. We look forward to introducing Apex's industry leading fund services to Latin America."

Keith Mahon, managing director of Apex Fund Services in Uruguay, said: "For local asset managers to attract capital from international institutional investors they require cost effective order management, portfolio management systems and middle office services as well as best practice fund administration. Apex's arrival to Uruguay brings the potential for the phasing out of in-house accounting and reporting via Excel in favour of Apex's transparent, cost effective and accurate technologies."

"Apex brings these industry leading services to Latin America fund managers and brings them a partner they can rely on to help them tap into the South American opportunity."

Sanne Group buys into State Street Jersey

Continued from page 1

The transaction, expected to be completed by the end of April, will involve the purchase of the capital markets business from State Street, which encompasses 40 specialist staff.

"Sanne's service platform is centred on specialist capabilities delivered by experienced and bespoke teams and supported by appropriate technology solutions. State Street's capital markets corporate business has a strong cultural fit with the group's existing portfolio while deepening operational capabilities across key service jurisdictions including Jersey, London and Dublin," said a statement from Sanne.

The transaction was facilitated in partnership with Inflexion, a private equity investment business. The combined group, consisting of three core businesses (corporate and institutional, fund administration and private wealth), will employ approximately 200 people in jurisdictions including the Channel Islands, Luxembourg, London, Dublin, Dubai, Hong Kong and Shanghai.

Citi launches Network 3.0 to drive investor services

Citi has launched Network 3.0 with a suite of new investor service solutions, including a custody programme.

The integrated custody programme aims to enhance technical platforms and reengineer operational processes to deliver industry best deadlines, 24 hour instruction processing—voluntary corporate actions response deadlines have been extended to 24 hours before market deadlines in 10 key markets—and improved risk management.

"Citi has a long history in shaping and accelerating change in securities markets around the world, said Neeraj Sahai, head of securities and fund services at Citi. "Network 3.0 is a global transformation initiative aimed to redefine the way global investment support services are delivered in order to achieve best in class service and meet the challenges of an ever evolving securities landscape."

"Network 3.0 leverages Citi's global network by providing a connected gateway offering increased efficiency and information that enables local access on a global basis," said Chandresh Iyer, managing director of investor services at Citi.

The network's other new capabilities include a mobile platform through which clients can access information on fund flows, local market practices, transactions and counterparty exposures and speak live with local Citi teams; and a series of profiles of individual markets that uses the expertise of Citi's locally-based securities country managers for asset managers, institutions and intermediaries with local market insights.

Information Mosaic's new IMActions to target T2S

Information Mosaic has released its latest edition of IMActions to help firms tackle Target2 Securities (T2S).

IMActions prepare central securities depositories, commercial banks and central banks—which are active in the securities markets—for T2S.

The new features and enhancements of IMActions, version 6.3, include extended functionality, flexible rules for buyer protection, complete event type and market coverage, enhanced generation of notifications and instructions and increased capability for automatic reconciliation.

Vikas Sahni, Information Mosaic's IMActions product manager, said: "This latest release of IMActions is based on client feedback and reflects our significant investment in research and development to help our customers comply with the latest industry challenges and impending regulation."

"The corporate actions enhancements around T2S add to our comprehensive securities and cash processing solution for this industry initiative, providing banks and depositories with a clear and achievable migration path to the new settlement system."

Dion launches FATCA TRAC service

Firms will be able to specifically locate clients that will be affected by the Foreign Account Tax Complaince Act (FATCA) with the help of a new solution from Dion Global Solutions, the TRAC Indicia Check Service.

The announcement follows the publication of the long-awaited final regulations for the implementation of FATCA by the US Treasury Department and Internal Revenue Service.

The FATCA TRAC Indicia Check Service, which was built with Dion's partner Mahindra Satyam, performs the required US indicia checks by taking client data. This data is provided to the firm as dashboards, offering visualisations of client categories and results. Firms can then go into specific account details and interrogate any US indicia found.

Colin Camp, managing director of products and strategy at Dion, said: "Many firms are now faced with the question of where to start, and how can they ascertain the extent of the problem they are faced with in terms of FATCA compliance."

"The FATCA TRAC Indicia Check Service addresses this problem by providing them with a detailed view of their client's classification and the required remediation steps that need to be taken."

Citi and Bloomberg get straight to the point

Citi has launched a communication and notification service to enable structured finance issuers to communicate key actions directly to investors in real-time via the Bloomberg Professional service.

In its capacity as notification agent for issuers, Citi will deliver automated amendments, waivers and consents to investors via CF, the corporate filing platform available to subscribers to software platform Bloomberg Professional service.

Investors will then be able to access a link to Citi's secure investor reporting website to view notices online in real-time.

"Investors are increasingly challenged to efficiently monitor notices on numerous tranches of structured finance issues which can directly impact pricing and liquidity. Until now, investors have relied on indirect notification of actions via third parties. With Citi's Investor Direct Notification Service, investors can be alerted to notices, ensuring they do not miss important notifications that could impact deal monitoring," said a statement.

"We are pleased to work with Bloomberg to launch Citi's latest extension of our trust and administration services for structured finance issuers and investors," said Paul Burke, North America head of sales, agency and trust services at Citi. "We have a deep understanding of the needs of the participants in the structured finance markets, and we are committed to delivering leading solutions that help increase transparency and liquidity."

Asset Value Investors uses Paladyne

Paladyne Systems, a Broadridge company, has been selected by Asset Value Investors (AVI) to bring greater control to its internal operations. The London-based, long-only traditional asset management firm runs a range of nine funds and managed accounts with AUM of £1.3 billion.

AVI implemented Paladyne Portfolio Master for trading, pre-/post-trade compliance portfolio management and NAV generation, and Paladyne Analytics Master for data aggregation, warehousing, reporting and reconciliation. Paladyne also built a customised FX calculation solution for AVI.

"Given our range of fund vehicles and investors, we needed to tailor information quite specifically for different communication channels. We felt if we owned that data and the systems, we could be far quicker in responding to changes … we can respond and adapt much more quickly than if we had to influence a third party provider that might not have the same priorities as AVI," said Kimmberly Lau, AVI's company director.

Asset verification deemed perilous to private equity clients

Ipes Fund Services has released a short briefing on the back office and fund administration implications of the Alternative Investment Fund Managers Directive (AIFMD), while also introducing its fund depository service.

"While we fully and publicly supported the case against depositories, that fight is apparently over and we must all adjust to the new paradigm in the most efficient and practical way possible," said the firm.

It explained that the alternative investment fund depository's primary role will be to safeguard the fund's assets and to act independently of the fund manager, while monitoring cash flows and ensuring that transactions and valuations are in accordance with applicable laws, fund documents (ie, the LPA or M&A) and the AIFMD.

Of the AIFMD, the firm commented that a key issue of the directive was that it distinguishes between traditional custody assets versus non-custody assets and has different restrictions, requirements and depository liability for each type.

"Fund managers need to carefully review their portfolios for each asset type before engaging with depositories to have a clear understanding of their needs," it said.

It also warned of the pitfalls of asset verification, stating: "Depositories are required to verify

and document the ownership of assets by the fund. While reasonably clear for most financial Instruments, for other assets this is more difficult given that ownership is typically established through a number of legal documents."

"The expertise to definitively confirm ownership is concentrated in a community of expert private equity transaction lawyers … depositories may be able to rely upon a confirmation letter from such transaction lawyers. However whether such a letter will be available from law firms, and the extent of reliance that a depository may place on such a confirmation, are both under discussion."

Alternative fees are falling

Asset management fees in alternatives have fallen due to supply and demand dynamics, according to a report from Mercer.

In particular, asset managers are under pressure to negotiate fees for hedge funds, direct private equity and infrastructure funds.

Divyesh Hindocha, global director of consulting for Mercer's investments business, said: "Given the plentiful supply of good quality active management, the level and structure of active fees has been remarkably resilient to a slowdown in demand."

"As we move from a defined benefit based pensions system to a defined contribution based pension system, which is much more cost conscious, our hope and expectation is that we see some innovation in this area, as otherwise the demand foractive management may well fall off a cliff."

Custodians are at great legal risk, warns GOAL Group

A new forecast study from GOAL Group, a global class action services specialist, predicts that settlements in securities class actions outside of the US will rise to $8.3 billion per year by 2020.

The report also warns that because non-US legislatures require participants to register at the beginning of a case, investors need to participate immediately to receive their rightful returns, and any level of non-participation presents fiduciaries such as fund managers and custodians with a potential legal risk.

Stephen Everard, CEO of GOAL Group said: "Class action growth outside the US is now increasing rapidly, and is predicted to mirror the growth of the US class action scene in the early part of the 21st century. The root of this international diversification seems to have been a combination of restrictions on jurisdiction definitions in the US Federal courts, along with a growing desire to develop domestic class action procedures in many countries around the globe."

"Certain legislatures—currently the Netherlands and Canada—have defined and admitted the idea of a global 'class' where non-US investors in shares listed on a non-US exchange can pursue their securities class actions in those countries' courts. There is no viable excuse for non-participation as a number of specialist service providers can now perform this function at relatively low cost."

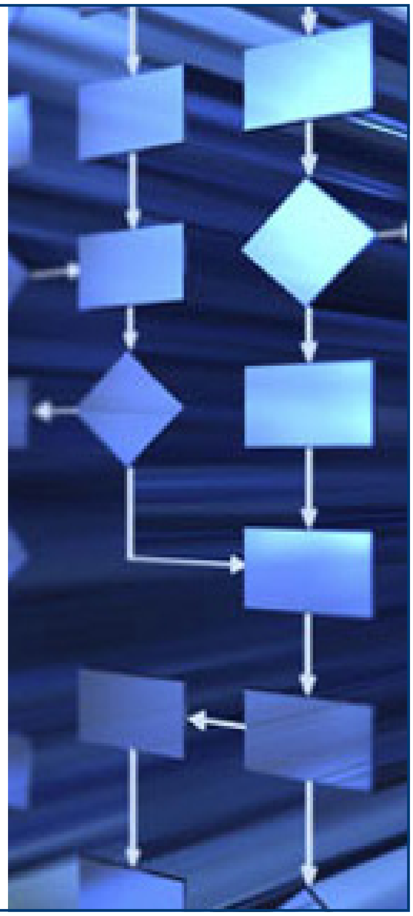
SS&C GlobeOp introduces lucky 13th private equity solution

SS&C Technologies has released the 13th version of a TNR Solution on its private equity technology platform.

The latest version has enhancements to the core fund accounting and portfolio management functionality, including on-screen reporting views to track investments across various fund structures.

"With TNR Solution we are able to automate virtually every aspect of a private equity funds business processes, management deliverables, and investor reporting," said Bill Stone, chairman and CEO of SS&C Technologies.

"Through the 2013 release of the TNR Solution, we have leveraged our private equity industry expertise to create a world class technology platform for both our services and license customers."



Bottom line:

[Your securities services expert in Central and Eastern Europe]

Our network is available for you in Central and Eastern Europe for your securities services business. We bring you in-depth local experience and award winning international expertise. ING is your partner in Bulgaria, Czech Republic, Hungary, Poland, Romania, Russia, Slovak Republic and Ukraine. For more information call Lilla Juranyi, Global Head of Investor Services on +31 20 563 6435 or e-mail: Lilla.Juranyi@mail.ing.nl.

www.ingcommercialbanking.com

ING

SS&C GlobeOp currently provides private equity fund services to more than 135 fund managers with $75 billion in capital commitments on its TNR Solution platform.

BNY Mellon is interactive with asset servicing clients

BNY Mellon has introduced its Interactive Analytics Report (IAR), which are interactive reporting tools that accessible on the company's WorkbenchSM web platform.

IAR replaces more than 20 individual reports that are run by users. Asset owners can view their investment analytics while visually depicting their portfolio's fundamental characteristics—by country, asset type, quality ratings, or equity ratios.

Results are shown in graphs and charts that display historical and projected analyses of client investment plans.

"Our Interactive Analytics Report brings a new capability that can serve as a foundation for improved risk management," said John Gruber, managing director of global product strategy for BNY Mellon's performance and risk analytics group.

"It helps our clients open a window into their investments, which can lead to greater insight, stronger analysis, and more informed decision-making."

In December 2012, the company released Report Solutions, an online library of report templates that help clients with preparing regulatory filings and other custom reports.

Dutch CSD goes paperless

Dutch central securities depository (CSD) Euroclear Nederland is doing its bit to achieve a paperless securities market in the Netherlands.

It recently completed the full-scale dematerialisation process of all Dutch securities classes (bonds, equities and depository receipts) for the Dutch capital market.

The process to eradicate physical certificates from being used for investment ownership began in the 1990s following a market-wide call to modernise and make the Dutch capital market safer and more efficient.

At the time, Euroclear Nederland's vaults in Amsterdam held more than eight million pieces of paper representing client assets worth €800 billion.

Changes to Dutch securities law in 2000 allowed Euroclear Nederland to use a single global certificate to represent an entire issue, instead of printing an individual piece of paper for each certificate.

From 31 December 2012, all securities that were held in custody with the CSD had to be converted into either electronic book-entries or a global note.

Valerie Urbain, CEO of Euroclear Nederland, said: "I would like to thank all those involved in the dematerialisation process—it is testament to the exemplary co-operation and performance of our capital markets that we can successfully transform out-dated industry standards into better and safer processes."

CACEIS rolls out the red carpet for managers

CACEIS is expanding its range of services to help fund managers comply with the Alternative Investment Fund Managers Directive (AIFMD).

As well as providing operational support for adapting their organisation and internal procedures, in particular concerning the delegation of functions, risk management and the new regulatory reporting format, CACEIS is also offering fund managers use of the services of Luxcellence, a Luxembourg subsidiary of CACEIS, to manage their risks, structuring and the domiciliation of their funds.

"Thanks to its extensive involvement in industry working groups, CACEIS anticipated the expansion of its responsibilities in terms of restitution of assets under depository and has made their security its priority," said a statement from the firm.

"Through its private equity and real estate funds business line, CACEIS offers a unique and integrated combination of banking and middle and back-office outsourcing services, allowing AIFMs to improve their operational efficiency and risk management."

Vienna-based Bank Gutmann picks XENTIS for software

Bank Gutmann has selected XENTIS as its central asset management software platform.

XENTIS will be implemented company-wide in Bank Gutmann's asset management, custodian bank and within the Gutmann Kapitalanlageaktiengesellschaft (Investment Company) in fund management as well as in fund administration.

Bank Gutmann will employ XENTIS front office in both asset analysis and portfolio rebalancing, pre-trade compliance checks and order entry. XENTIS will also calculate NAVs, perform reconciliation procedures and limit checks and support legal and client reporting.

Chapman's Eye on the market

The view from the East

As interest in Asia as a potential place to live and work increases exponentially, I thought I'd share a few top-line thoughts on the current state of the market courtesy of our Singapore-based APAC managing director Liz Cleary (drop her a line at liz@hornbychapman.com):

- This year started off a little stronger than anticipated with the number of new roles on the increase
- Relatively poor Q4 2012 results have meant that some growth plans have been put on hold
- Strong emphasis is being put on local experience, particularly in the sales and relationship management space, with a growing preference for native speakers
- Good network managers are usually in demand, especially those with local market knowledge
- A number of organisations are waiting for results before committing to hiring/expansion plans for 2013
- Base pay levels look steady and bonus figures relatively flat, but in some cases slightly down
- Expats on long-term packages are invariably being made local or replaced with locals
- Certain firms are considering doing more direct recruitment themselves as opposed to using search firms—our contention would be that, while appearing to cut costs, this actually lessens the chances of the business side sourcing the optimal candidate and also, from a candidate perspective, takes away the independent, consultative advice they receive from a knowledgeable recruiter.

In our view, the old adage 'head East young man (or woman)' still holds true, especially given the parlous state of the Western financial services jobs market at present.

As ever, if you'd like to comment on or discuss any of the above, do drop me a line at paul@hornbychapman.com

Paul Chapman, managing director, HornbyChapman Ltd

The mandate mangle

National Australia Bank's asset servicing business has been awarded the contract to provide custodial and administrative services to investment manager Investment Science Asset Management.

The Australian fund manager was ranked the highest returning fund on the Morningstar Australia database over five years to 30 November 2012.

The contract win for NAB Asset Servicing comes after a competitive tender process for which Foxrock acted as consultant.

Boyd Lees, general manager of business development said: "NAB Asset Servicing is well placed to support Investment Science now and into the future."

"Investment Science is a high performing team—as recently demonstrated by their award as Best Multi Strategy fund at the Australian Hedge Fund Awards – and we look forward to partnering with them to provide the best outcomes for their clients."

St. Louis-based Graybar Electric Company has chosen **Comerica Bank** and ousted **BNY Mellon** as global custodian and trustee of its $400 million defined benefit plan.

Graybar is led by chairman, president and CEO Kathleen Mazzarella. The distributor of electrical, communications and data networking products and provider of related supply chain management and logistics services, reported net sales of $1.4 billion for Q3 2012, a decrease of 4.7 percent compared to the same period in 2011.

But BNY Mellon celebrated two other mandates, most recently renewing its relationship with Aston Funds. The 16-year affiliation sees BNY Mellon provide the firm with custody, fund accounting and sub-administration, regulatory administration and transfer agency services.

BNY Mellon provides the services to 25 Aston Funds with $12 billion in AUM.

Jerry Dillenburg, COO and chief compliance officer at Aston Funds, said: "BNY Mellon's history of providing outstanding service over a 16-year period as well as its comprehensive suite of products and services were compelling reasons to continue this relationship."

Samir Pandiri, BNY Mellon executive vice president and head of Americas asset servicing and CEO of alternative investment services, said: "BNY Mellon continues to invest in resources that can help fund complexes such as Aston Funds launch new products and services and be responsive to their clients' changing needs."

The bank also was feeling the green as the new fund administrator for Coutts and its new Ireland's-domiciled UCITS funds range, Coutts multi asset funds.

BNY Mellon will provide a full suite of services to the Irish fund range, including derivative execution, KIID production, daily performance reporting and share class hedging.

"This range of funds plays a vital role in the evolution of our wealth management capabilities and provides a transparent, cost-effective, RDR-compliant investment solution. We sought an industry leader that truly understands our business and can provide bespoke solutions which meet our needs." said Leslie Gent, managing director in the investment office at Coutts.

"Regulatory change poses both opportunities and challenges in equal measure for the European funds industry in 2013," said Daron Pearce, EMEA head of global financial institutions for asset servicing at BNY Mellon. "Complying with AIFMD and the new UCITS rules changes will be a complex and multi-faceted task for managers, large and small. All of which is likely to involve a great deal of time and expense to execute for those who carry out their middle and back office functions in-house."

Pearce added: "As a service provider, we believe we are intrinsic to asset managers in helping them to developing products to meet the opportunities of the new market environment. We look forward to strengthening our partnership with the team at Coutts as they develop their client offering and distribution strategy."

Deutsche Bank is the new depository bank for the NYSE-Listed American depository receipt (ADR) programme of Statoil ASA.

Statoil is an international energy company with operations in 36 countries. It is headquartered in Norway with approximately 21,000 employees worldwide, and is listed on the New York and Oslo stock exchanges.

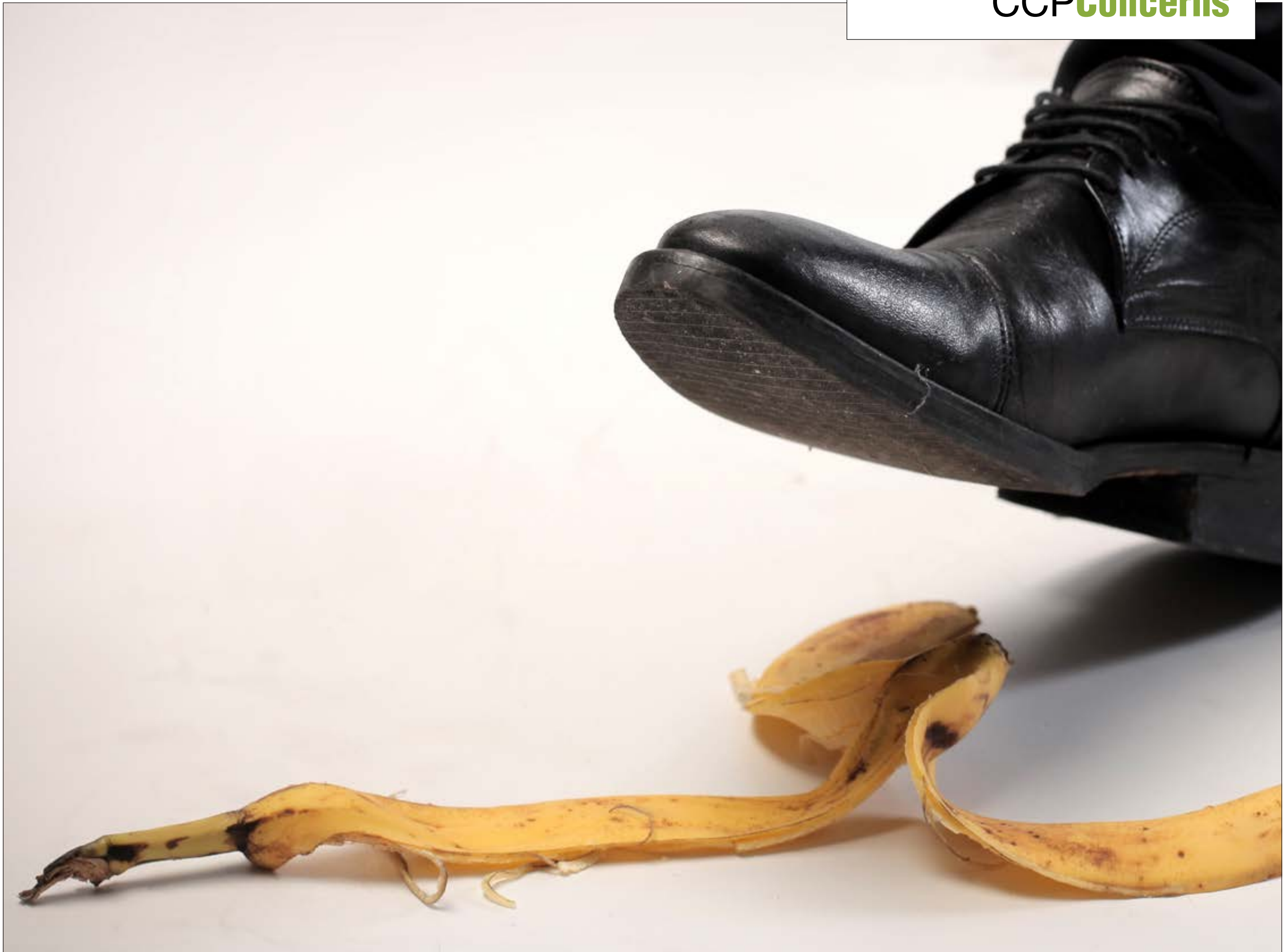
Akbar Poonawala, head of global equity services at Deutsche Bank, said: "We are delighted to be selected as Statoil's depository bank. This mandate represents significant recognition of Deutsche Bank's superior client servicing capabilities from one of Norway's most prestigious companies."

"Deutsche Bank will offer its broad range of customised services to assist Statoil in enhancing the visibility of its ADR programme."

BNY Mellon will act as depository bank for luxury apparel maker Hugo Boss for its sponsored ADR programme.

"We are delighted to partner with BNY Mellon in establishing a sponsored ADR programme," said Mark Langer, chief financial officer of Hugo Boss. "We look forward to expanding our visibility and investor base within the US capital markets via this ADR programme."

"We'll work closely with Hugo Boss to broaden its outreach to the global investment community, with the ultimate goal being diversification of its shareholder base by attracting more US investors," said Christopher Kearns, deputy CEO of BNY Mellon's depository receipts business.



Risky business

AST talks to Thomas Zeeb of SIX Securities Services about the ‘collateral shortfall’, risky CCPs and why repackaging is not the answer

GEORGINA LAVERS REPORTS

Paul Tucker from the Bank of England said that the failure of clearinghouses could be more devastating than if major banks were to fail. Do you agree?

I absolutely agree with him. Most of the clearinghouses out there are not capitalised well enough and aren’t always applying standardised risk modelling techniques. There is a significant question mark in my mind on the quality of collateral that they accept. In some cases, even the solvency of such entities has to be called into question.

Over the past few years, we have seen some of the most aggressive clearinghouses running up multi-million pound losses. Business models like this are simply not sustainable.

So I agree, in principle, with Tucker’s implication that some clearinghouses may be at risk.

The idea that we can reduce risk in the system by putting more flows through a central counterparty (CCP) pre-supposes that the CCP itself is solvent, is well capitalised, is managing risks and exposures prudently, and only accepts good collateral.

What are your feelings on the ‘collateral shortfall’?

We conducted a micro survey at Sibos 2012. At that time—October—most Sibos delegates believed that there was enough collateral for now, though they added “but ask me again in six months’ as a caveat.

Considering that trading volumes are down anywhere between 25 and 40 percent, it doesn’t surprise me that at today’s levels, there is a reasonable amount of collateral out there. It is of course skewed towards those institutions that actually don’t need that much collateral because they are big, solvent, and well capitalised. It’s the small clients that tend to experience a shortage.

There is certainly enough collateral out there of sufficient quality that will support today’s volumes. But in the future I think there will be a shortfall, and it will be a drag on volume increases.

As a result, business models will have to evolve to accept the constraints of insufficient collateral, and the effect that that will have on trading. Having said this, new sources of collateral will need to be found.

One of the panellists at Sibos—who also runs a CCP—made the statement that a collateral shortfall will not become an issue, because the market will "be creative" in finding new collateral instruments.

To my mind—and now I am speaking as the head of a CCP that is well-capitalised, solvent, profitable and AA-rated as a bank—I have some serious concerns about this statement.

The market must not manufacture collateral, and there should be no room for 'creativity'. Have we learned nothing from the past four years?

The market must not manufacture collateral, and there should be no room for 'creativity'. Have we learned nothing from the past four years?

The fact that you create a structured product ultimately makes its evaluation more difficult. If evaluation is more difficult, it raises the question of whether it is suitable collateral for clearing.

As soon as you repackage a product using multiple layers of other products, you call into question the real value of the product and what dynamics may change its value. I would much rather have a bond as collateral—I know its price, it's liquid, I can sell it anytime I want, and I know what my net exposure is. If I have some sort of structured product with all sorts of baskets of securities, equities, bonds, maybe a few fund units, what is it worth? Who do I sell it to? In a worst-case scenario, if I had to realise the collateral because my counterparty defaulted, what am I going get out of it?

To my mind, creating structured products is absolutely the wrong way to resolve a collateral constraint issue. Collateral must be simple, it must be easily valued, it has to be liquid, and it most certainly has to be high quality.

We have to be very clear—CCPs must not compete on the quality of collateral that they accept. If CCPs start doing that, then the danger of systemically-relevant CCPs initiating the next crisis isn't all that unrealistic. It is a very real danger.

When it comes to collateral, I am a fan of keeping it simple. Know what it's worth, value it in real-time and have the legal certainty that you can enforce your claim on it. Otherwise we are going to get ourselves into trouble again.

Can you explain your connection LinkUp Markets?

LinkUp Markets was originally set up to realise many of the functional advantages that Target2Securities (T2S) will bring in the future. However, LinkUp Markets (LUM) leverages infrastructures that are already in place, rather than creating a centralised structure such as T2S. When we started LUM, there were seven central securities depositories. This has now grown to 11.

The initiative got these different CSDs to build bilateral links with each other with a translator in the middle. If an instruction comes from Spain, that will settle in German—the translator will do that—or turn it into Swiss-German so you can settle it in Switzerland. And this goes across all 11 CSDs.

That generates much of the benefit that we will get from T2S because you have central bank money settlement in each of the CSDs, through a single interface, using an existing infrastructure , which is already paid for.

Now with T2S on the horizon, all CSDs have the same challenge: how we are going to build that link to T2S?

In our decision to work with SWIFT, we were able to negotiate a good package it terms of how we will get that link in the future. And SWIFT will do the development work and operate the platform on our behalf. So it's a logical extension of what LUM was originally designed to do.

The 11 CSDs are not all European. Strate is South African and we also have MCDR—an Egyptian CSD. Both are members of LUM. Whether they will avail themselves to the link to T2S in the early stages, I don't know. That's for every CSD to decide for themselves. I suspect the value to them of doing that is relatively questionable—the likelihood is that they haven't got the volumes to make it worthwhile.

But for example, Strate, which is a member of LUM and therefore has built the interfaces, can easily go through any of the other LUM CSDs to piggyback on their direct connection to T2S. Strate would have direct access through a switching station, if you will. At some point, they may want to build their own direct links—the flexibility is built-in.

How do you ensure that the momentum on T2S is not lost?

I hope the European Central Bank (ECB) will ensure that, but the timeline is fairly clear now for T2S implementation. SIX Securities Services is committed to be a part of the first wave. So we will be testing sometime around the middle of 2014, to go-live in 2015.

The testing will be going on throughout 2013 within ECB on 4CB, the four central banks that initiated it, and all of that is on track. If there are further change requests, then there is enough buffer in the testing process that it won't delay the second and third wave.

As for T2S's momentum, the biggest challenge that we have at the moment is general market volume. It's down. So that will have implications on the business case of T2S. It will have implications for the investment capability of each of the CSDs, which have to spend a lot of money building the links. And it will have implications for end users and customers who will also have to put up a lot of money to test with their CSDs and to change their reconciliation processes, matching processes and everything else to settle in T2S.

But the political will is there to implement T2S. It's going to come, and I don't think there is anything that's going stop it.

SIX Securities Services is outside the EU and outside the eurozone. As a result, we face different challenges to eurozone CSDs. From my point of view, we are one of three CSDs in Europe that can carry out cross-border business. The other two are Clearstream and Euroclear. Currently, about 30 percent of my business is non-Swiss, with the biggest chunk being in Europe and therefore in the eurozone. Our customers in Switzerland obviously want access to the German market, the French market, and so on. The question is how we best connect to T2S, given that the Swiss National Bank has already decided not to take the Swiss franc into T2S.

The way we see it, we have two options: one is a direct connection from our CSD in Switzerland to the ECB. And the second is to establish a new entity in the eurozone itself that would be a regulated CSD, and will play the role of our regional custodian.

Both options are currently being finalised for our board. **AST**

Thomas Zeeb
CEO
SIX Securities Services

The client becomes the competitor

BNY Mellon recently launched a CSD that it called a ‘natural evolution’ of its investment services business. AST finds out more

GEORGINA LAVERS REPORTS

Enhanced interoperability and efficiency was the name of the game for BNY Mellon, as the bank received regulatory approval to launch a new issuer central securities depository (CSD) entity on 7 January.

On top of offering market participants efficiency in the global post-trade arena, European CSDs have emerged in large part due to regulatory imperatives from the European Commission, which enthusiastically proclaims on its website that the CSD plays a “critical role in guaranteeing a safe and efficient transfer of securities that exist to a large extent only in book entry form”.

The BNY Mellon CSD SA/NV will offer issuer, settlement and safekeeping services for the benefit of all market participants across Europe and the wider global marketplace.

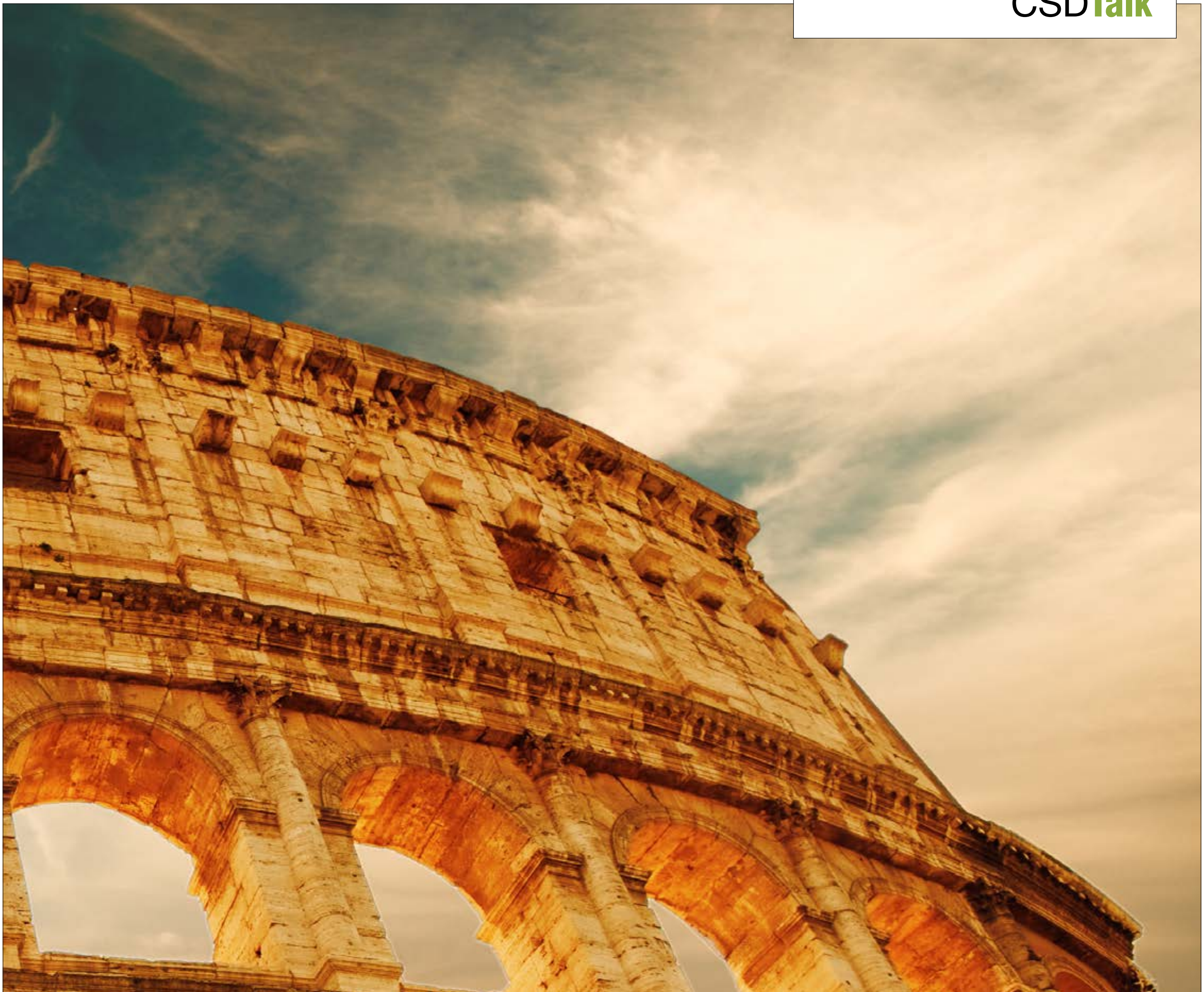
Speaking at the time that the bank received regulatory approval for its CSD, Tim Keaney, vice-chairman and CEO of investment services at BNY Mellon, said: “Establishing BNY Mellon CSD reflects our proactive engagement with those initiatives to integrate and unify Europe’s financial markets infrastructure. As the world’s largest provider of investment services, this is a natural evolution of our business and underlines the breadth and depth of services we are able to provide our clients around the world.”

Incorporated in Belgium as a non-bank subsidiary of The Bank of New York Mellon Corporation, BNY Mellon CSD will be regulated by the National Bank of Belgium. Chris Prior-Willeard has been appointed CEO of the new entity. He says that regulation played a large part in the depository’s creation.

“What we did originally was to take a very hard look at how the market environment was changing around us, and regulation is a very big component of where we thought things were changing and how we thought we really had to respond. I think at a high level, regulations have played a very big part in the CSD’s creation.”

Prior-Willeard explains that that in terms of actually setting up the CSD, the Committee on Payment and Settlement Systems and International Organization of Securities Commissions framework for financial market infrastructure proved helpful when thinking about the regulations that will affect the structure.

“For the first time, you’ve got a series of guidelines which lay out the way in which regulators should be looking at CSDs and CCPs (central counterparties) around the world. Secondly, the way in which the regulatory environment is changing for CSDs in Europe is absolutely crucial. One the one hand, you’ve had EMIR (European Market Infrastructure Regulation) which begins to lay out how infrastructure is seen differently and separately from commercial banks. Dodd-Frank (the US act) and EMIR span both sides of the Atlantic, and have served to accelerate the pace of change for both competitors and clients. We’ve got to adapt our products and services to suit. Certainly, the way in which our customers’ needs have changed as a result of regulation has been very much a catalyst for what we have done, and what we continue to do.”



"Then you have the CSD regulation (in Europe), which has become a very hot topic in the industry: how CSDR is going to impact both existing and potential new providers." One thing that is not regulation, but very much a gleam in the eye of regulators, states Prior-Willeard, is T2S.

"Our position is that it very clearly will happen," he explains. "We've taken a high profile stance in understanding and interpreting what T2S means for a number of client segments: the buy side and the sell side, but significantly, securities issuers as well. From our point of view it is inconceivable that we wouldn't, in some way, connect to T2S, looking at our existing businesses in custody, and now as a CSD. It is more of a question as to the practical details of how we do it."

As a depository, BNY Mellon will look to leverage linkages with other CSDs around the world to offer clients the benefits of cross-border interoperability, as well as provide services in local markets as a pan-European institution.

LinkUp Markets, a joint venture from 11 leading CSDs, is one such venture that looks to establish a common infrastructure allowing for streamlined interoperability between CSD markets and introducing efficient cross-border processing capabilities.

The solution, which is currently used in nine European countries, South Africa, and Egypt, enables CSD customers to significantly reduce the cost gap between settling and safekeeping domestic and foreign securities, has caught Prior-Willeard's eye.

"I was very interested to see the way LinkUp took shape, and how it continued to evolve, because again I saw that as a by-product of exactly what we were looking at two or three years ago when analysing the market. It's the need of infrastructure to connect and enhance interoperability. Are we going to join, though? It is too early to say. Quite genuinely, from the publics' view we are only three weeks old, and we have a lot of other things we still want to do. But there is no question that it is very much on our radar."

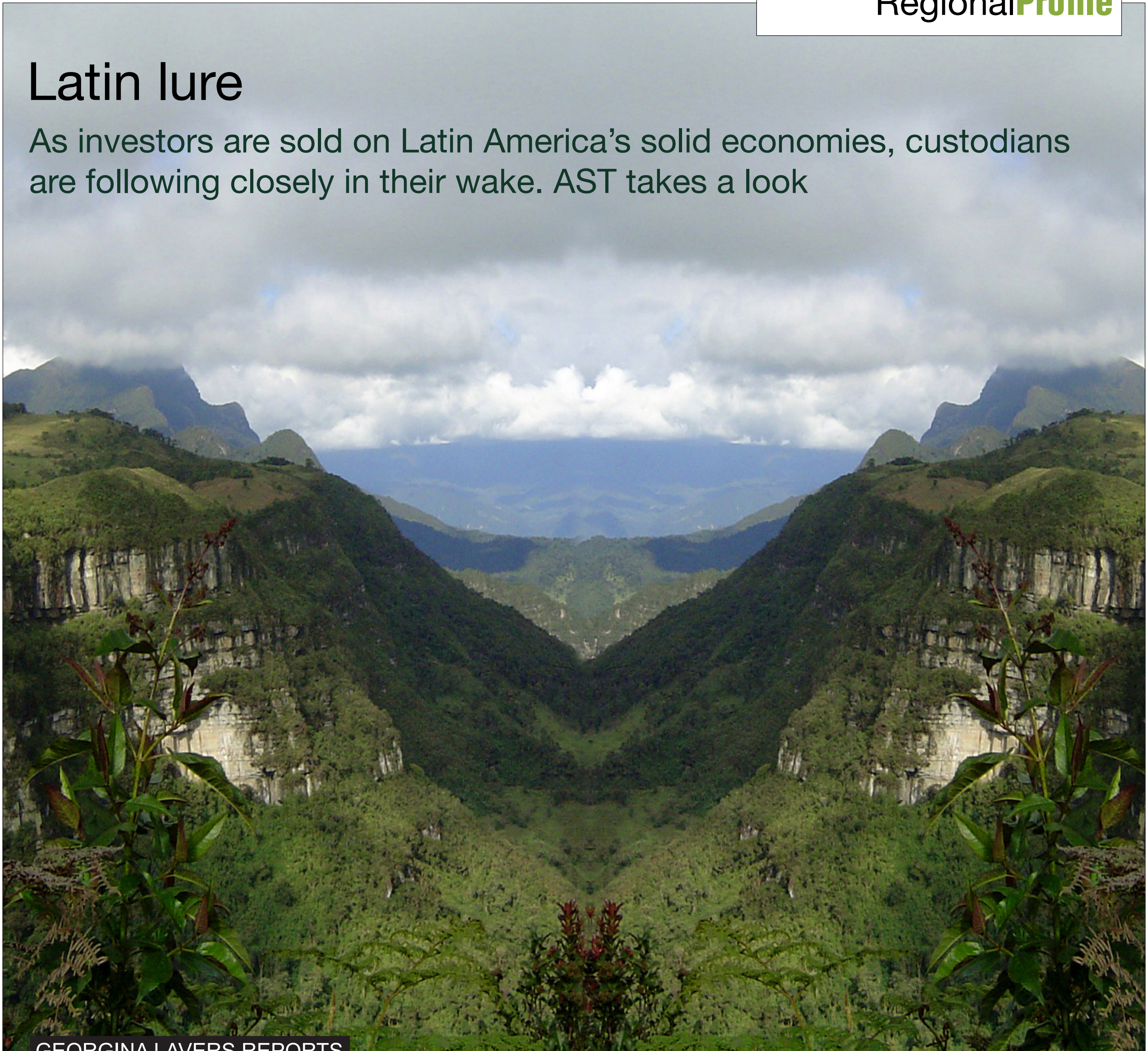
Competition, both future and current, is a key talking point, especially considering the bank's relationship with Clearstream and Euroclear.

"It is a change, but we have very long relationships with both ICSDs (international central securities depositories), and also other CSDs in Europe and around the world," insists Prior-Willeard. "If you look at CSDR, there's a recipe for a great deal of change in the existing settlement industry. So from our point of view, we will continue to have very close and co-operative relationships and what we've done is just changed the complexion of it."

The custodian bank's foray into the marketplace will undoubtedly be giving other banks food for thought. Prior-Willeard says: "If I was in another organisation, I would be looking at this exactly the way we did three years ago, as to what is changing, analyse what the drivers are, and once you've figured out what the drivers are you can lay them against your existing business and determine how you can change." **AST**

Latin lure

As investors are sold on Latin America's solid economies, custodians are following closely in their wake. AST takes a look



GEORGINA LAVERS REPORTS

Latin America has moved on from previous political and economic crises to development and prosperity, with the shift from export-driven to consumer-based economies leading to a boom.

A region with many cultures and economies, it is a large emerging market that offers businesses in various industries significant growth opportunities. Multinational companies are thriving, despite economic rewards and growth that is sometimes hindered by political uncertainty.

Keith Mahon, managing director of Apex Fund Services in Uruguay, explains that Latin America is a very different today to what it was 10 years ago.

"The fiscal situation for many governments in these economies is excellent when compared to developed nations," says Mahon. "The government debt-to-GDP is well below 50 percent in most countries. This lends itself to the ability to build infrastructure to further support the growing economies. There is a need for infrastructure improvements and population growth is driving this need for increased and better infrastructure."

"Many of these markets are expected to see working population growth over the coming decades. A large young workforce means increased participation in the economy, while companies and governments benefit from low pension and medical expenses."

Alejandro Berney, head of securities and fund services in Latin America at Citi, says that growth in the size of local institutional investors has been the biggest change in the last decade. "Two decades ago, foreign investors dominated the local capital markets. But the local pension funds in Brazil, Chile, Peru, Colombia and Mexico are significantly large now, which has been a result of greater savings rates from a larger middle class boosted by a very positive macroeconomic environment, and helped by the right demographics. Nearly two decades ago when this type of obligatory savings was set up, and thanks to the demographics, the pain from moving from a pay as you go system to a prefunded market-oriented system was small and did not incur in large."

This, he says, has also led to the growth of the mutual fund market (through increased allocations of pension funds and individuals) and the insurance market, since the models that are used in these countries require the obligatory use of life insurance companies.

"The increased amount of assets has led to an increased sophistication of the local managers. The gap between a hedge fund manager in Brazil or in Manhattan has closed extensively to allow them to be as knowledgeable."

As well as increased sophistication, the falling cost of technology has allowed Latin American managers to set up efficient trading platforms, with outsourcing allowing managers to focus their resources in trading.

Outsourcing of fund administration is a common market practice, particularly Brazil, with Chile and Colombia coming round to the idea, says Berney.

"Outsourcing of fund administration is market practice in Brazil. There are currently discussions in Chile and Colombia which could make it practice as well. In addition, in those countries in which you cannot distribute offshore products (Brazil) or when they are tax disadvantaged (Mexico), it is then common for a foreign manager to set up a local feeder fund. In those cases, they outsource both the custody and the fund administration. Once again, the ability to assist a client with both their local and global needs has been a plus for Citi."

"One key important difference that we have seen in the requests for outsourcing is that unlike the developed markets where a drop of assets is requiring managers to outsource as a cost reduction strategy, the rationale for outsourcing in Latin America has been to be able to cope with increased volumes and increased complexity. Therefore, the economic dynamics are quite different, making it a larger margin market even if volumes are relatively lower."

"In this post-Madoff era of the financial crisis, investors are driving the want for transparency and the need for independent third-party service providers for security and peace of mind," says Mahon, adding that this has led Apex into not only providing fund administration services, but assisting managers with their middle and front office needs too.

Global asset managers outsourcing their custody arrangements are less typical, with Brazil being the exception that proves the rule, says Berney.

"The reality is that Latin America has a significantly large proportion (close to 75 percent) of trade and investment flows coming from North America and Europe, than within the region. Countries are relatively lowly integrated, which is a fact not always understood by outsiders. The asset management industry certainly reflects this. With the exception of a handful of local managers, most of them are experts only in their home country. There are very few managers that invest regionally."

But, he adds, the trend to invest outside of their markets is growing stronger by the day. "With the exception of Brazil, managers and owners typically don't outsource custody. In all markets they are allowed to be a direct participant of the depository. In those cases that they do (Chile and Mexico), the rationale is more of a liquidity need (for mutual funds and insurance companies, not for pension funds), or because it is sold together with fund administration (which is the case in Brazil)."

"But with the growing need to invest outside of their home country, local managers are increasingly driven to a need for these services. Because it is their first time, they appreciate a local contact that can assist them with the nuances of the process of global investing."

Spices and silk

Five hundred years ago, Asia and Latin America were vibrant trading partners, with Spanish galleons heavy with spices and Chinese silk regularly making trips across the Pacific Ocean. Today, the centuries-old link between the regions is intensifying, with trade growing at an annual average rate of 20 percent.

"The increasing trade is bringing the economies closer together, and that creates interest to invest in each other," says Berney. But a very large portion of those flows don't go directly, but rather through European managers and structures such as UCITS, he adds. "Some flows also go through US-based funds, but pension funds prefer the UCITS structures and that is the lion share of the investment flows."

The flipside is similar, he says, with Asian investors preferring UCITS structures (either directly as in Hong Kong), or through local feeder structures (as in Malaysia, Japan and South Korea). "Asian investors are quite comfortable with the UCITS structure and have a clear preference for these. As [a] sub-custodian in the region, and thanks to the fact that most countries are beneficial owner markets, Citi sees and closely monitors these flows into Latin America. What we have seen is a large increase in foreign direct investment. The relative contribution of Asia has doubled from 3 percent in 2005 to 6 percent in 2010 according to the latest figures available. The increased flows in FDI have been assisted multiple times by our agency and trust solutions, where clients are in need of structures to minimise risk during the acquisition of these assets."

Best In Show

Brazil is a clear front-runner in the funds industry, having the largest and most developed fund marketplace for all kinds of funds. It is the largest mutual funds industry in Latin America and is ranked sixth in the world with $923 billion in net assets, according to the US Investment Company Institute.

Since 2005, with the relaxation of exchange controls, Brazilians have been able to invest offshore, although with the high returns that are available domestically in the fixed income market, few migrated. Conversely, interest rates have dropped considerably since then and even more so of late, which is forcing investors to seek returns elsewhere, says Mahon.

"Since 2007, regulations changed permitting more free investment internationally, however few, managers took advantage thanks to home-grown prosperity and international woes, now the managers are beginning to look elsewhere to satisfy investor demand for alpha. Funds in Brazil are only starting to show interest in UCITS, however, Peru and Chile appear to have more interest and use for these products."

"Brazil historically has had a closed market from an investment standpoint," says Berney. "Initially investments outside were not allowed, and when that changed, high real interest rates locally discouraged that outflow. With the constant drop over the last five years, local investors are increasingly interested in offshore assets, and an increasing amount is looking towards that avenue. But from an overall percentage standpoint, that is still very small in the range of less than 1 percent of of total assets. Certainly, we believe that this will grow over time, but it won't happen overnight. It is a trend that we at Citi keep a close look on since the potential in sheer size is quite significant."

Rather than marking out a specific country as 'one to watch', both Berney and Mahon indicate that growth is coming from other areas.

"The one to watch is actually the MILA market—Mercados Integrados Latinoamericanos—the Andean regions' integrated capital market trading platform that links the bourses or 'bolsas' of Chile, Colombia and Peru," says Mahon. "The integration of the bolsas has allowed for greater liquidity for investors while increasing opportunities and attracting foreign interest to the region. Mexico and Panama are also making steps toward greater integration with MILA as is the Brazilian BM&F Bovespa. Although we acknowledge that Brazil and Mexico are the developing superpowers, countries like Chile particularly have a sophisticated pension fund market and an advanced retail fund market, with a number of these focusing specifically on Latin America providing local knowledge and expertise on investment within the region."

"There can be no doubt that Brazil has the most developed funds industry, in all aspects: sophistication (derivatives are very common), size (over $1 trillion in total assets) and complexity (all strategies are followed, from plain equities and fixed income to hedge funds and private equity)," agrees Berney. "To highlight one country, it would probably be Colombia since it is discussing a new regulation for funds dividing clear roles and responsibilities between the asset managers and custodians. This can help it grow very quickly if it goes through."

Berney points to an asset class that is growing quickly across all countries—the move to private equity-like investments—as an interesting new strategy. "The regulators in every country are keen on seeing these savings pools support the GDP growth, and therefore are allowing pension funds to invest in private equity—typically in the range of 5 percent of total assets. Mexico, Colombia, Argentina and Chile have started allowing this, and we have seen increased demand from both local and global managers in tapping these markets. In order to invest in private equity, funds need to invest in local structures (sometimes fiduciary in nature like in Mexico and Colombia, other times with local fund structures such as Chile, Argentina, Brazil and Peru)."

"Interesting enough, Brazil is going through the same process of increasing exposure towards private equity, but for a different reason. The falling interest rate trend that has been going on for the last decade has made pension funds look towards investments with greater returns, and private equity funds are a key part of that focus"

If the Latin American fund sector continues to expand in-line with the growth of the region's economies, investors will seek out high-quality fund managers to provide them with access to the region and to enable them to take advantage of the trade free zones for foreign direct investment.

Opportunities in Latin America go beyond Brazil and Mexico—with Chile's sophisticated pension fund market, Mexico's retail pension fund market and Colombia's new regulation all creating interest, as well as new non-country focussed developments such as the trading platform of MILA, and growth in private equity.

And as western European economies fight their way out of recession, and more of Latin America's investments are redirected overseas, the lure of the region for global custodians players is an easy sell. **AST**

Small but forceful

CEO of GOAL Group Stephen Everard explains that, while growth is very new, a handful of Latin American countries are making steps towards developing class action regulation

The growing globalisation of securities class actions means that, although the US is still the most developed and dominant centre, other legislatures around the globe are rapidly catching up. The root of this international diversification seems to have been a combination of restrictions on jurisdiction definitions in US federal courts, along with a growing desire to develop domestic class action procedures in many countries around the globe.

As a result, plaintiffs are now instigating litigation in more flexible jurisdictions in Europe and overseas. This means that international companies that are listed on multiple exchanges are now having to defend themselves against securities class actions in multiple jurisdictions. This is further exacerbated as regulators tighten regulation following the global financial markets crisis and governments institute fiercer enforcement measures.

Jurisdictions where US-style securities litigation is developing and where a framework is already in place include Germany, the Netherlands, Canada, Australia and Japan. These geographies are current front-runners in the growing pressure of global class action cases looking for a home in a legislature that is able to define and prosecute a global class.

But what about other global centres, such as Latin America? The picture is very mixed and varies from country to country. Many Latin American countries currently do not allow class actions, meaning their citizens rely on pursuing claims in the US courts, whereas some jurisdictions are actively encouraging claimants to litigate through their local courts rather than in the US.

According to one research report exploring the context in which the regulation of class actions is emerging in Latin America, a small but forceful group of countries, comprising Argentina, Brazil, Chile, Colombia and Mexico, have now adopted legislation that enables class actions and other forms of aggregate litigation. The new laws vary greatly by country, and range from the inclusion of a few provisions in a given statute to the comprehensive overhaul of several laws.

So the development of class actions in Latin America is still very much at a nascent stage, but the development of this legislature will be one to watch. What is certain though is the increasing globalisation of securities class actions, both US and non-US focused. GOAL Group's analysis of its class actions knowledge base shows that, although non-participation rates have marginally improved since 2007, just over 24 percent of possible claims are still not being filed by eligible investors, and that between 2000 and 2011, losses due to US and non-US investors' non-participation in US securities class actions amounted to more than $18 billion.

Spinning the web of growth

FATCA, provider risk and the need for more infrastructure present the biggest challenges for Asia in 2013. AST's experts discuss the issues

GEORGINA LAVERS REPORTS

As the global financial markets enter their 5th year of slow growth, how would you describe current markets in Asia?

Francis Braeckevelt: Globally, analysts expect that the 2012 global GDP growth rates of 3 percent are likely to be maintained or slightly improved upon in 2013. While growth was equally affected in some Asian markets during 2012, Asia is still considered an important future global engine of growth with countries such as China taking the lead. The economic outlook for many of the emerging and developing markets in the region, the demographics as well as the regulatory and economic reforms point to continued growth opportunities in the region.

Even though the full impact of the global financial turmoil is not known yet, we see investors starting to think about how to position themselves for future growth rather than focus exclusively on dealing with past or current adverse events. While there is broad agreement that doing business in today's reshaped environment will be significantly different and more challenging than before, there is also a deeper appreciation that this new reality will create new opportunities. Every investor has to deal with a low interest rate environment, expected lower growth worldwide and possible further idiosyncratic events, but we continue to note unabated interest from both local and global investors in doing business in Asia, leveraging opportunities in the region and participating in the anticipated Asia growth story.

Simon Cleary: Growth has remained relatively healthy and continues to outpace developed markets in the West. Having said that, it is relative and Asia, like everywhere else, is not immune to the problems affecting the rest of the world, driving continued volatility and the likelihood of an element of slow-down to come. Having said that we saw double digit growth in assets under custody in most Asian markets during 2012 that are not yet showing any signs of declining—most noticeably in markets such as India, Hong Kong, Singapore, South Korea, Taiwan, Thailand, Vietnam and the Philippines.

What are the biggest challenges facing your clients at the moment and how are you positioned to aid them?

Simon Shepherd: In many ways, the custody and clearing function in Asia follows established methodologies from their Western counterparts. Indeed, many Asian operations, whether it be relationship management or network management, are still run by offices in Europe or the US. This has certain advantages, obviously, in terms of knowledge transfer, experience and to a degree, continuity. The issue, however, is whether they adopt some of the outdated methodologies and manual processing that still prevail in established markets, or whether they can shake free of them.

There is a huge opportunity that any operator in an emerging or maturing market can benefit from and that is the adoption of superior, modern technology. One of the issues that we see in Asia is the absence of standardised practices and procedures across markets and the only sensible way to drive change, ensure consistency and to put the management function on a 'level playing field' is to use technology. And not just isolated pockets of technology but single platform, multi-function, integrated systems that allow 24/7 global access in a secure environment to all relevant staff.

Cleary: I think the most constant theme that we are hearing in client conversations relates to the myriad regulation and the complexities of compliance—whether that is related to the clients' own domiciles or within the markets of their investments. By virtue of our significant footprint in our three core regions (Asia, Africa and the Middle East), we have on the ground presence in more than 30 markets, with long established relationships with regulators and infrastructures that enable us to be our clients' eyes and ears on the ground.

Other themes include an increased focus on costs and efficiencies, driving pricing discussions with intermediary clients in particular as they are squeezed by their investor clients, but also with direct investor clients who are focusing on costs with their own revenues being squeezed through lower market returns.

There have been a lot of conversations around provider risk, certainly with a focus on credit ratings and balance sheets, but very clearly driving changing perspectives in terms of securities services appointments. Many buyers of direct custody services are actively moving away from single providers towards split books across dual providers as a form of live contingency. Similarly, we have heard from some major investors that where asset levels justify they are much more inclined to consider a regional or even local market level approach to custodian appointments rather than to always retain the more traditional global custodian approach—possibly more talk than action at the moment but certainly an increasing buzz.

Braeckevelt: In today's environment, the challenges investors are asked to contend with are multiple and diverse. Facing profound worldwide economic, political and regulatory changes, and uncertainty around the economic recovery, investors need to respond to these challenges through effective cost management, efficiency and risk programmes and need to re-assess their investment and liquidity strategies. In addition, investors globally have to prepare for ongoing regulatory changes. Not only are these new regulations often very complex and costly to implement, the sheer volume of regulations is proving to be a big challenge for market participants to navigate, understand, interpret and implement.

As a result, investors are turning to global providers to assist them in dealing with these challenges, through thought leadership, information and data focused programmes that enable them to understand not only the macro-economic impact of these challenges and regulatory changes, but more importantly the impact on their current and future businesses and workflow models.

Through active memberships and participation in industry working groups and regulatory councils, the involvement in the end-to-end investment life cycle process and their role as a central data repository, asset service providers are uniquely positioned to assist investors to cope with this change by continuing to roll out innovative and integrated data-centric client solutions.

These data management programs are central to the clients' comprehensive risk management strategy and the asset servicing data-centric models that combine core custody, accounting, analytic and performance data will not only provide greater transparency in the actual holdings, but also help investors to meet the future, rigorous regulatory oversight requirements.

With FATCA implementation rapidly approaching, how will Asian banks deal with the regulatory burden tat this imposes?

Cleary: Like other banks, we have been preparing for the Foreign Account Tax Compliance Act (FATCA) for some time, but in some respects without sufficient clarity of the end-state as the specific details and required clarifications related to this regulation continue to be drip-fed rather than certain in nature. We have dedicated significant resources already to conducting reviews and preparing for future reporting requirements to ensure that we are best placed to support both our clients and the relevant authorities in time for full activation as required.

From our clients' perspective, this presents different challenges depending on their place in the investment chain. The major challenge facing ourselves and other Asian banks is to identify opportunities to differentiate in terms of information sharing and service delivery such that our own approach to rapidly evolving regulation enables us to continually differentiate ourselves from our competitors.

Braeckevelt: Data management programs are central to the clients' comprehensive risk management strategy

Francis Braeckevelt
Chief operating officer of Asia asset servicing
BNY Mellon

Braeckevelt: FATCA is one of the most significant regulatory changes that is currently being introduced given its widespread impact on investors and service providers worldwide. Even though the actual implementation of the regulations will be introduced in phases starting next year, most market participants have been actively assessing the potential impact of the rules on their internal and client processes and protocols and are reviewing adequate business and client solutions in response.

The actual response and actions taken are obviously primarily driven by entity specific considerations, but in addition to complying with the actual FATCA compliance rules that applicable to foreign financial institutions and/or non-financial foreign entities, all institutions need to conduct a thorough end-to-end review of all processes and capabilities, including (but not limited to) a review of the current systems and operations infrastructure, as well as the definition and implementation of clear and structured business practices and policies covering areas such as account opening, investor due diligence, reporting capabilities to the US IRS or withholding practices.

Cleary: There have been a number of recent infrastructural developments in Asia, although some would probably argue not enough

Simon Cleary
Global product head for custody services and custodian banks
Standard Chartered Bank

The preparation for and implementation of the rules will require balancing the need for a clear understanding of and adherence to the rules, close interaction with all counterparties, intermediaries and third parties, and safeguarding the customer experience and business success.

Shepherd: It is not just FATCA that is affecting custody and clearing operations but the plethora of other regulations internationally. We have often said that regarding regulation as a 'burden' is a bit of a giveaway, hinting at either non-compliance in the past or a weak regulatory regime, which has now been tightened up. Regulation is in truth a massive opportunity to do things better, more intelligently and at lower cost than competitors. Everyone is going to have to do it otherwise they will have their toes held to the fire. By being better organised and operationally more transparent, investment in technology can help staff become more productive and your organisation better compliant.

What steps have Asian countries taken to ensure adequate infrastructure to deal with liquidity and operational risks? What are they planning to do in the future?

Shepherd: From an operational point of view, we have seen clients with global operations successfully leverage technology at many points in their value chain. We have major institutions that are headquartered in Asia but which use technology that is owned and run by their international subsidiaries to run their part of the global custody and clearing network. Asian teams benefit not just from technology that is available globally but they also benefit from updated and re-modelled practices and procedures that can be governed centrally and provide universal MIS. We can see our clients benefitting from remote invoice capture and reporting, BCP-DR, standardised account opening, imposition and monitoring of mandatory document lists from within and without the Asian region, as well as many other functions. Furthermore, the adoption of clever technology solutions overcomes many of the issues that are associated with managing and running operations in lower cost centres, often located in Asia, to full effect.

Cleary: There have been a number of recent infrastructural developments in Asia, although some would probably argue not enough. Examples include: the ASEAN Link going live last year, between Singapore, Thailand and Malaysia; and the continued evolution of third-party clearing and account operator models, with Indonesia taking steps in this direction recently and Thailand opening up and discussions continuing in the Philippines.

Shepherd: regarding regulation as a 'burden' is a bit of a giveaway, hinting at either non-compliance in the past or a weak regulatory regime

Simon Shepherd
CEO
MYRIAD Group Technologies

From an operational risk perspective, continued enhancements to infrastructure links have been evident, as have standardisation initiatives around messaging and best practice.

Braeckevelt: Following the 1997 Asian financial crisis, many investors and countries alike have become increasingly aware of the need to deal with liquidity and operational risks and in response, regulators and authorities have been looking at region wide programmes, such as creating an effective Asian bond market or diversification initiatives, and this trend of increased risk aversion and risk mitigation has continued unabated throughout the recent financial turmoil, which has forced investors to focus on the fundamental risk—return trade off.

It is clear that eliminating risk totally is impossible but that the key to risk mitigation is a clear and thorough understanding of the different risk sources that may affect the specific operations. Sophisticated risk management programmes have been developed to better track, understand and respond to the various aspects of market, credit, operational, compliance, strategic and reputational risk.

Where technology has assisted in rolling out enhanced risk management best practices, market authorities and industry associations are also looking at safeguarding the financial markets against systemic, liquidity or operational risks through various regulations or standards such as Basel III, UCITS, the US Dodd-Frank Act, the European Market Infrastructure Regulation or various accounting standards such as IFRS.

Over the past couple of years, institutions have been made painfully aware that they were not able to deal with post-trade processing effectively in-house and that it would be costly to address this in the short term. Going forward, in order to cope with the increased operational risks that have emerged, investors and markets will have to make well informed decisions and changes to remain competitive in a rapidly changing environment and to allow them to focus on their core capabilities and strengths. Where some participants will continue to build additional capability in-house to deal with these changes, it is expected that more market participants will look at alternative ways to work with trustworthy, creditworthy and committed providers to leverage the sophisticated risk mitigation, valuation and monitoring solutions they can provide.

What developments in technology have helped the market?

Cleary: This is an area where we have seen constant development and opportunities for improvement, both at the level of the market and by individual service providers. More and more markets are either implementing or working towards automated corporate action feeds, and improvements have been seen in terms of reference data standardisation and automation. At Standard Chartered, we have invested heavily in our own core processing platforms in order to be able to leverage these developments. In the past few years, we have fully implemented a new, state of the art corporate actions system and we are currently rolling out a core custody platform across 39 markets, which will feature fully automated links to depositories where available.

Braeckevelt: As we are looking back at all the changes that have occurred over the past couple of years and looking ahead at the opportunities that these changes will bring about, it becomes increasingly obvious that technology has and continues to play a critical role in the actual change process but also in building the solutions to cope with this change. As the front office continues to evolve very rapidly with increasing demands on technology, one can also observe that the back- and middle-office capabilities have not necessarily kept pace with those developments.

As the technology becomes more powerful, goes mobile or ventures into cloud technology, it is clear that keeping up with the recent trends and demands will require a significant investment. The ability to deal effectively with the growing demands for better, faster and more information, however, will be driven largely by investments in and focus on these new technologies and how these will be incorporated into daily activities.

Shepherd: High value, functionally rich solutions are now available in this market. The preponderance of banks electing to build and not buy still exists, so there are still some deep-seated attitudes, wedded to the Dark Ages. The reality is that banks are not technology shops; they have rarely, if ever, generated cost effective, durable solutions on time and to budget. Unfortunately, in-house technology failures far outweigh successful third-party implementations, but this is changing, slowly. The key is to work with technology providers that have established, road-tested solutions and not vapourware. We frequently see even very large software houses suggesting to clients that they have functionality in the custody and clearing space when patently they do not. Our biggest competitors remain the banks themselves and this is where Asian operations have an opportunity to steal a march on their Western counterparts and embrace the new and emerging technologies that will make their jobs so much easier.

Geographically, where do you see the biggest growth for custodians in 2013?

Braeckevelt: Given the renewed global sense of investor realism, the accelerated product innovation, the continuing growth trends and the increasingly sophisticated and affluent investor base in Asia, we believe that the perfect ingredients have been blended together to provide the region the tools to capitalise on the future opportunities and fulfill its role as a global growth engine.

Given the projected economic prospects, the demographics and economic reforms that continue to take place in the region and beyond, analysts expect investors will continue to favour Asia for its asset accumulation with an increasing number of global financial institutions expanding their footprint in Asia. In addition, the ongoing liberalisation in the various Asian markets would suggest that local or regional market participants will continue the diversification of their investments globally.

As such, global custodians will continue to fine-tune their service offerings through product innovation, thought leadership or technological advances to respond to the fast evolving needs from Asia-based investors to deal with the global changes and local opportunities, as well as from global financial institutions looking to expand their business success into Asia.

Cleary: In 2013, we are already witnessing heightened activity following the expansion of investment quotas in China (QFII quotas increased in 2012 while application process simplified and insurance QDII channel is now active) and the advent of the QFI channel opening up foreign investment to the Indian-listed securities markets (potentially an incremental inbound flow of $25 billion this year). It may be too early in terms of required regulatory environment and market infrastructure for frontier markets, but the likes of Cambodia, Laos, and Mongolia are starting to generate significant interest among our clients.

We anticipate continued growth in the countries highlighted previously and remain bullish around prospects for Asia generally, albeit subject to the mercy and influence of the global markets. AST

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Sleepless in Solvency II

AST talks to Interactive Data about regulations causing unrest in the financial services industry

GEORGINA LAVERS REPORTS

Though Interactive Data is a firm that is focused on a number of different business practices, including pricing and reference data, and trading solutions and wealth management, one of its most important businesses is the provision of data for asset companies or managers, as well as third-party administrators that provide services to asset managers, says Robert Cumberbatch, head of regulatory and industry affairs at Interactive Data.

"We will supply core reference and pricing data on instruments, largely for the purpose of helping asset managers strike a daily NAV for funds," he explains. "We have what we call 'evaluated services' where we evaluate thinly-traded fixed income instruments. In the days prior to when we did this, asset managers would go to market to obtain three quotes, and average the quotes to calculate a daily NAV for a fund containing thinly traded instruments. It was a laborious process."

Any regulations that have an impact on instrument pricing and reference data, corporate actions, dividends, and payments are where the firm concentrates on developing products, with Cumberbatch pointing to services that Interactive Data has provided in the EU savings directives space, UCITS, Basel II, the Markets in Financial Instruments Directive, and most recently for the French financial transaction tax.

But currently, he says, the topics that are keeping him busy are Europe's Solvency II and the dreaded US Foreign Account Tax Compliance Act (FATCA).

Your pain is currently delayed

US authorities delayed key start dates for FATCA back in October last year, with rumours that bilateral disagreements were causing problems.

But Cumberbatch takes the view that it is better to delay the implementation date and gain further clarification on some of the issues than rush to market and risk getting it wrong.

"Right now, the delays to FATCA for some elements have already been granted, for example, the pass-through payment percentage won't hit until 2017. That was simply because the technicalities of making it work were taking longer than initially anticipated."

"Overall, we're talking about a small number of last minute definitions that somewhere along the road got held up. These delays are along similar lines to the CFTC (Commodity Futures Trading Commission) reporting for OTC derivatives; that took longer than planned. They were the first regulatory body to insist upon the use of the LEI (legal entity identifier), and they had some definition work to determine; which swaps were in scope and which were not."

As for the quid pro quo arrangements between jurisdictions, Cumberbatch predicts that it will happen eventually. "With the current economic environment at the macro level, it is difficult to see why countries would not want to see its taxpayers' holdings in the US. There are two benefits to the reciprocation under the intergovernmental agreement (IGA); I, as a national government can see my taxpayer's holdings in North America, but it also helps firms in not becoming the IRS's tax collector."

Please wait for further notice

Solvency II increases the data and governance demands on insurers and will require them to review and possibly rethink their investment strategies. These developments are set to have a powerful knock-on effect on asset managers, a huge proportion of which sees business come from insurers. But it could be a valuable opportunity for asset managers to differentiate themselves by moving early to create Solvency II-ready operational capabilities and investment strategies for their insurance clients.

"The emphasis is on both the insurers and the asset managers; not because the asset manager might be in direct scope of Solvency II, but to provide the data for their end insurance clients that is required to complete the various calculations under Pillars 1 and 3 of the directive," says Cumberbatch.

As a technology firm that goes to the wire when delivering regulatory solutions, he says he was disappointed with recent delays.

"I think it was Julian Adams, director of the insurance division at the [UK] FSA, who delivered a speech on the shifting deadlines. We'd done so much work to try and help firms be ready—particularly with the new data elements needed for Solvency II—that for the FSA to communicate that a delay was now inevitable was relatively unwelcome news. "

After delays until 1 January 2014, with the European Parliament's plenary vote on Omnibus II—a package of key changes to Solvency II—postponed until June 2013, KPMG has warned that its implementation could be further delayed following the launch of the European Insurance and Occupational Pensions Authority's (EIOPA) long-term guarantees assessment impact study.

KPMG insurance director Janine Hawes said: "It seems unrealistic to assume that a mutually acceptable solution to the long-term guarantees issues, as well as all remaining outstanding differences on Omnibus 2, will be fully resolved in the trilogue process before that date. We are expecting that this vote will be further delayed until after the summer recess, with a second 'quick fix' directive required to amend the implementation date."

Cumberbatch says that the FSA tried to undo damage of the delay to recognise all the good work that has been done by insurers and asset servicers to be ready. "They said that they will accept capital adequacy calculations based upon Solvency II basis, provided there is a reconciliation between the new method and the old. But it's entirely at the discretion of the firms themselves."

The delay, predicts Cumberbatch, will mean a two-speed Europe. "There are going to be some countries and territories that see the delay as a relief and there's going to be other countries that were planning to go live next year, who will see the delays being unwelcome. They've already invested in technology, processes, systems and consulting to be ready; the delay doesn't actually help them. With so many regulations moving at different speeds, project managing them, particularly where there is an overlap of data requirements, is a real problem. They work on one, such as Solvency II, and then [move] onto the next regulation. What they didn't really want was to stop work on this project and then have to restart in a year or two because resources would be needed elsewhere."

"We're seeing, broadly speaking, clients in three categories: those who are going to continue as if nothing has changed, a middle group of clients who have made plans but will welcome the delay in order to take stock of their project to date and then a third group of clients who are not going to do anything at this stage and will wait and see whether there is any further clarity of deadlines before committing resources to a project." **AST**

Fuel for the fire

Simon Shepherd of MYRIAD Group Technologies has strong views on due diligence in Asia, as well as why standardisation is something of a double-edged sword for technology. AST hears him out

GEORGINA LAVERS REPORTS

Given the strong element of emerging markets in Asia, to what extent are you seeing a greater degree of due diligence in both the number of questionnaires and content, and to what extent can technology help both requestor and respondent in this area?

Due diligence is a hot topic at the moment and we have seen a large increase in the number of due diligence exercises being undertaken, generally. New, emerging or maturing markets often attract a greater degree of scrutiny. We have seen due diligence content become broader and deeper as the questions asked have become more comprehensive and penetrating than they might have been in the past.

Technology can help both requestor and respondent in many ways. Storage and instant, on-screen retrieval would be two immediate benefits, when both structuring and responding to web-based due diligence. Re-use of templates and rapid adaptation would be two more for the requestor. Automation and comparison (with past responses or peer group respondents) would be further areas to focus on for benefits for all participants.

From an operational point of view, standardisation and systematisation will help speed, accuracy and consistency. Generating quick, meaningful MIS on which to base decisions is the key output users would seek from technology in this area.

We have also seen a slightly ad hoc approach to satisfying the regulators in 2012, with the view sometimes being taken that just demonstrating ‘it is in hand’ is enough; this slightly patchy approach will need to be phased out over the next three years. Just as there are gaps in the position adopted by some Institutions, there are also many gaps in the solutions being offered in the market.

There are a number of stand-alone tools that can be used to satisfy the due diligence function, but our experience suggests that adoption of these solutions is often happening in isolation, with little thought given to the up- and downstream possibilities. Furthermore, the absence of existing functionality in which to store past records, the ease with which past due diligence can be linked to a current exercise for reasons of continuity is sometimes strictly limited; by perpetuating the conduct of due diligence exercises in environments that still do not permit continuity, this merely stores up the problem for the future.

Anticipating the value of running due diligence in a coherent ‘context’ that permits storage and retrieval, as well as adaptation and future re-use, has tremendous value.

During these relatively early stages of growth in the Asian markets, to what extent do participants see technology as a differentiator and, therefore, as a means of establishing a superior service offering?

Technology represents a fantastic opportunity to move away from manually intensive, slow and often error-strewn practices and procedures. Indeed, adopting a regional approach to a technology overhaul, as a way of piloting a new platform, is often the preferred approach. Lower cost and higher capacity are the key drivers, both of which allow a move away from low value administrative tasks into higher value added functions. It is this shift from data entry tasks, re-keying information, searching for documents and cobbling together reports that allows a refocussing into higher value functions like relationship management, performance measurement, modelling and due diligence. Adoption of technology feeds the provision of a superior service to both internal and external clients and it is this superior service that feeds into reputation and ultimately acts as the differentiator.

To what extent is local regulation mirroring many of the changes in more mature markets and how well prepared are participants for greater levels of scrutiny?

The imposition of increased regulation on an international scale is undoubtedly impacting local markets around the world. The level of preparedness for greater scrutiny is far from clear when comparing market to market. But this is also true of both incoming enquiries as well as outgoing responses. More rigorous, consistent incoming enquiries will help underpin improvements in the quality and consistency of responses, overall transparency and eventually higher standards in all markets. If a respondent cannot come back with supportable evidence to back up their responses, it will simply not win the business.

There is a very clear need to try and move towards standardisation in a number of areas in markets which, historically, might not have lent themselves to standardisation. At least having clear standards, consistent procedures and measurable criteria with which to judge or assess local markets will help in overcoming the absence of established benchmarks. All of these topics lend themselves to technology, even at a very basic level. At its most basic, this involves low levels of automation, template driven documentation, clears sets of standards and procedures, improved, shorter communication lines, transparency and accountability, all of which underpin a robust business model.

In a newsletter, MYRIAD commented: “Forget the language of dashboards—it’s a fad.” Could you explain?

The dashboard has emerged as a panacea for all reporting ills, giving great comfort to senior management who might otherwise have no view whatsoever of the teams or business lines and operations reporting to them. What matters is not whether it’s a ‘dashboard’, a ‘window’, a ‘portal’ or a plain old reporting tool, rather the quality of the underlying data and how well it is organised and maintained.

Fundamentally, if you do not address your static data needs your dynamic data will be compromised; having given your dynamic data a home to go to, the coherence of that ‘context’ allows clean, consistent, repeatable reporting going forwards. We would always argue that it is the quality of the underlying data and how it is organised and re-presented that matters, not how pretty it looks. If you put diesel in a petrol engine, it doesn’t matter how good the car’s dashboard is; you still won’t be able to drive it.

How do you think risk management has changed for network managers since September 2008?

The answer differs widely from institution to institution. It is rare that network managers become outright risk managers, as the two functions are very different. What is absolutely clear is that network managers control or oversee a lot of information that can inform the risk management function.

We are often asked whether MYRIAD performs a risk management function and we—just as any vendor should—would reply “no, MYRIAD does not ‘do’ risk management, but MYRIAD does store core data that is central to the risk management function”. The reality is that risk management is done by human beings, based on reams of data that is organised in the best, most transparent fashion to inform their decisions. Network managers are, per se, relevant to the risk management function, but their value to it is their data input; their value increases exponentially when that data is comprehensive, clean, accurate and readily accessible at the push of a button.

What is the biggest challenge right now for data being internationally standardised?

There are a number of challenges to the standardisation of data, including:

- Concerns about the motives behind regulation seeking the standardisation of data internationally;
- The absence of trusted international standards authorities;
- Disagreement over how best to proceed;
- The absence of a unified drive towards standardisation by the buyers, ie, the people who pay; and
- An element of foot-dragging by the providers, ie, the people who get paid.

Standardisation is something of a double-edged sword for technology: a clever technology platform does not need standardisation to prove its worth. Its functionality will be designed to overcome the absence of it, and these technologies are very high value.

But standardisation potentially erodes some of that value proposition, because competing technologies become more accessible as they are or can be less sophisticated, however, technology can help to define and refine the target platforms for standardisation by providing a clear roadmap for what needs to be done. In and of itself, this process of ‘target platform definition’ will help to define standards and underpin any exercise in standardisation across the industry.

The net benefit of technology is that standardisation can happen more quickly when informed and underpinned by robust technology solutions and technology then helps those standards persist through time. AST

Simon Shepherd
CEO
MYRIAD Group Technologies

2013

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The upcoming International Transfer Agency Summit sees 60+ speakers confirmed, and a noticeably increased asset management and distribution speaker attendance.

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Moscow Financial Innovation Forum

Location: Moscow
Date: 20-21 March 2013
www.fi-forum.com

The Moscow Financial Innovation Forum (MFIF) is a unique platform for international financial service providers to meet the growing Russian and former Soviet Union financial industry. Moscow is rapidly developing into a world class international financial centre and requires qualified and reliable partners for linking it with the international financial community.

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Fund managers, rrrready!

Ireland maintains that the passport remains the most important part of AIFMD

GEORGINA LAVERS REPORTS

Fund managers had better get their skates on for the Alternative Investment Fund Managers Directive (AIFMD) or risk missing out on their summer vacations. After the usual—and at this point expected—delays, the implementation date is now 22 July. Ireland provided a clear set of rules for its implementation, and the Irish Funds Industry Association (IFIA) even made a trip to London in order to educate the masses—as well as push Ireland as a fund domicile.

In a briefing hosted by the IFIA, the four panellists agreed that the passport aspect of the directive would prove the most important change. The new EU marketing passport, which will be available once EU-based alternative investment fund managers and alternative investment funds comply with the directive, will "dramatically alter the distribution landscape for [these funds] across the EU," said an IFIA statement.

IFIA chief executive Pat Lardner said that the most important development had been overshadowed by other concerns, but that it should remain at the forefront of everyones' minds.

"The discussion has been going on around this topic since 2009—it's been a long time coming. Our own view is that whilst there's been a lot of debate, one of the things that tends to get lost is that this will be the first time there has been a passport to market services for alternative managers across Europe. For our own perspective as a sector that has been servicing the alternative investment fund management community, it marks a pretty big opportunity. As the first jurisdiction to have a product for the alternatives space, which we had when we introduced the QIF (qualified investor fund), we've always been very much at the forefront of it."

The association also stated that non-EU alternative investment funds and their managers should be able to benefit from transitional rules to continue to market their funds under current private placement arrangements—with a definite 'but'.

It was made clear that the new EU passport creates the possibility of a 'first mover' distribution advantage and access to all EU markets without an EU passport can't be guaranteed, as some member states may decide to refuse private placement.

Alternative investment fund managers operating in or marketing into Europe need to weigh up their options and consider their checklist of key actions in response to the changing regulatory landscape, and the IFIA was keen to place Ireland at the forefront of their minds. It pointed out that the jurisdiction is AIFMD-ready, has the right fund structure (an updated QIF), and good depository services. The depository to an EU-based alternative investment fund must normally be located in its home state, but they may decide to allow a depository in a different EU-member state, and this is something that Ireland is looking to capitalise on.

"The appointment of an independent depository to safe-keep assets and actively oversee the activities of the fund is already a prerequisite in Ireland," said the IFIA. "Prime brokers to Irish funds must currently be appointed as sub-custodians, which reflects requirements of AIFMD Level 2. While the directive introduces a new standard of liability, Irish depositories will be able to build on their extensive expertise, oversight and reporting models." **AST**

The road to AIFMD compliance—the IFIA way

- Are you in scope? The definition extends to non-UCITS funds that exceed a threshold of €100 million AUM. If in scope, you must consider the extent of requirements applicable to you and whether you can benefit from any transitional provisions.
- Ensured continued access to EU markets. If you are an EU alternative investment fund manager for funds, you must switch to an EU passport to continue distribution in Europe. If you are a non-EU manager or you manage non-EU funds marketed in Europe, you might be able to continue distributing under 'private placement'.
- Identify your alternative investment fund manager. The manager may be the portfolio or risk manager, or an entity that can perform these functions—fund managers will need to decide on the best fit for their operations.
- Comply with remuneration rules. Managers will be required to adopt a remuneration policy in compliance with ESMA's very detailed guidelines.
- Apply for authorisation in your home member state.
- Appoint a depository. Increased liability requirements imposed on depositories will have impacts in terms of fee models, sub-custody and prime broker arrangements and operational oversight.
- Manage risk, liquidity and valuations. The directive requires the creation of an independent risk management function that is completely separate from other business units.
- Manage regulatory reporting. Similar to the US's Form PF, AIFMD requires detailed regulatory reporting covering risk, liquidity and leverage profiles.

Industry appointments

Michelle Grundmann has joined J.P. Morgan as head of investor services business in Germany, Austria and Switzerland.

She succeeds Oliver Berger who relocates to London to head EMEA prospect sales with immediate effect. Grundmann has also been appointed member of the local management committee of J.P. Morgan in Germany and member of the board of J.P. Morgan AG.

She reports to Karl-Georg Altenburg, SCO of J.P. Morgan Germany, Austria and Switzerland, and to Francis Jackson, head of investor services EMEA.

Grundmann joins J.P. Morgan from BNY Mellon where she held various positions between 2003 and 2012, last as managing director in Frankfurt.

In 2003, she was involved in the formation of the ABN AMRO Mellon joint venture and headed the Frankfurt location from 2004. Later, she was, among other functions, chairman of the supervisory board of BNY Mellon Services KAG as well as member of the management of BHF Asset Servicing in the course of the merger with BNY Mellon.

Before she joined BNY Mellon, Grundmann had been managing director and COO of Merrill Lynch Investment Managers KAG in Germany and had worked with Chase Manhattan Bank in New York and Germany for several years.

“The depository banks of J.P. Morgan in Germany and Switzerland together form one of the largest global custodians in the region. We are very happy that Grundmann, with her extensive experience, will be heading the business and will continue the successful development we have seen together with Oliver Berger during the past seven years,” said Altenburg.

US Bancorp Fund Services has hired **Brett Meili** as legal counsel for its alternative investment products and services division.

Prior to this role, he was chief compliance officer and anti-money laundering reporting officer at Stark Investments, and acted as chief legal officer of the Baird Funds and senior counsel for the Strong family of mutual funds.

Standard Chartered has appointed **Margaret Harwood-Jones** as global head of investors and intermediaries sales for transaction banking.

Harwood-Jones joined the bank on 10 December and reports to Jiten Arora, global head of sales for transaction banking. She will be based in Singapore.

In this newly created role, Harwood-Jones will lead the business agenda for institutional investor and intermediary clients.

Prior to joining, Harwood-Jones was head of client segments, asset managers and alternative investments at BNP Paribas Securities Services.

Her appointment comes off the back of other high-profile hires in the bank’s investor and intermediaries division.

In November, the bank appointed Alan Naughton as global product head of investors and intermediaries, and Andrew Hempshall as global head of solution delivery and service for investors and intermediaries.

Information Mosaic has named **Ulrich Kunz** as its new non-executive chairman, effective immediately.

“Information Mosaic is extremely fortunate to have Kunz join us as chair”, said John Byrne, CEO and founder of Information Mosaic. “This is an incredibly exciting time for our industry. Kunz’s international experience and previous executive leadership positions uniquely qualify him to provide valuable strategic counsel.”

Kunz retains his role as chairman and founder of Kunz and Partner, a management consulting practice. He is actively engaged in senior advisory roles to financial services firms, as well as leading technology providers.

Prior to this, Ulrich held senior executive roles with former Swiss Bank Corporation (now UBS), Systor, Telekurs (SIX-Group) and Cincom Systems.

Northern Trust has named **Marc Mallett** manager of investment operations outsourcing product in the Americas. Mallett had been global head of client implmentations for investment outsourcing and operations since joining Northern Trust in 2010. **AST**

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Published by Black Knight Media Ltd
Provident House, 6-20 Burrell Row, Beckenham, BR3 1AT UK

Company reg: 0719464