ASSETSERVICINGTIMES

ISSUE058
20.02.2013 WEDNESDAY
assetservicingtimes.com

Citi makes moves in Latin America

MEXICO CITY 14.02.2012

Citi has extended its custody and fund administration for exchange-traded funds (ETFs) in Latin America with new mandates from BlackRock in Brazil and Mexico.

Citi supported the launch of BlackRock's two new ETFs in Brazil investing in carbon and public infrastructure and has expanded its relationship with BlackRock in Mexico with the conversion of the largest ETF product in Latin America.

"We have a long-standing relationship with Citi across the range of our exchange traded funds in Latin America and these mandates further our collaboration to provide investors with efficient access to these markets," said Armando Senra, head of the Latin America and Iberia region for BlackRock.

"With Citi's knowledge of the specialised needs of ETFs and local market infrastructure and global expertise, we are able to spend more time with our clients and at growing our business."

Citi's regional assets under custody are in excess of $8 billion. At the end of Q3 2012, Citi's regional ETF services market share stood at approximately 80 percent.

"We are truly pleased to expand our collaboration with BlackRock and to continue to support them with our local and global capabilities in trade execution, custody and fund administration throughout Latin America," said Alejandro Berney, head of securities and fund services for Latin America at Citi.

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ASTINBRIEF

NASDAQ will balance risk for Poland's primary CCP

The NASDAQ OMX Group will deliver a risk management solution to KDPW_CCP, Poland's primary securities clearinghouse and CCP.

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BNP Paribas Securities Services opens new Dublin office

BNP Paribas Securities Services has moved to new offices in Dublin, with the firm now located at Trinity Point.

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Citi makes moves in Latin America

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"Over the last few years Citi has concentrated on further enhancing our global support for ETFs. By joining our specialised ETF knowledge, local market infrastructure and global expertise we are pleased that we have been able to deliver solutions to our trusted partners. We are dedicated to continuously ensuring we remain on the frontier of delivering market innovation to our partners."

There has been suggestion that ETF investors are avoiding Brazil at the moment, owing to the recent announcement that there have been singificant outflows from the Brazilian ETF EWZ.

While flows picked up in other Latin American funds, it was reported that the $9 billion iShares MSCI Brazil ETF—the most popular of its kind tracking Latin America—saw outflows of $269.4 million in the three months through January.

Though Brazil's key trading partner China is thought to be a reason to stay hopeful, other investors and portfolio managers are resigned due to what they see as long-term political and economic problems in the country.

However, the ETF EWW in Mexico drew $596 million in net inflows while the ETF EPU in Peru had $117.1 million in positive flows.

Euroclear sees decreasing turnover, but securities held are on the up

Euroclear clients deposited €23 trillion of assets for safekeeping and asset servicing with the Euroclear group of national and international central securities depositories in 2012.

The increase of just under €1 trillion year-on-year is part of a wider and longer-term trend, "where our growth rate in various measures of operating performance surpassed our nearest competitors", according to a statement from Euroclear.

Tim Howell, CEO of Euroclear SA/NV, said: "The uncertainty and volatility of local and international capital markets have shaped our 2012 operating results. Above all, the trust that our clients place with us to safeguard their assets under such risk-prone market conditions is clearly evidenced."

But turnover, or the value of securities transactions settled, was €541.6 trillion in 2012, a 7 percent decrease compared with €580.6 trillion in 2011.

The number of netted transactions settled in the Euroclear group dipped by 2 percent in 2012 at 159 million, compared with 163 million in 2011.

As for a breakdown according to each Euroclear entity, securities under custody in Euroclear Bank rose slightly, but the value of transactions that were processed by the bank declined. This was attributed to lower trading volumes in European fixed income securities and lower ticket sizes.

The Euroclear entities in France, UK and Ireland, the Netherlands, Belgium, Sweden and Finland all saw an uptick in value of securities held for clients, but turnover decreased in every country, mostly due to lower fixed-income trading volumes.

Euroclear Belgium saw the value of securities held for clients rise the most out of all the Euroclear entities, recording a 20 percent increase from the €130 billion that was recorded in 2011. This brings Euroclear Belgium back to levels that were last experienced in 2010, and can be linked to rapidly recovering equity market activity in Belgium.

NASDAQ will balance risk for Poland's primary CCP

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The contract will see NASDAQ OMX supply KDPW_CCP with its OTC clearing and Sentinel Risk Manager product in order to support trade lifecycle and risk management requirements for clearing of OTC-traded instruments.

Sentinel Risk Manager is part of NASDAQ OMX's multi-asset clearing solution for OTC and listed derivatives. NASDAQ OMX's Nordic clearinghouse and IDCG in the US have integrated the technology with their CCP infrastructure.

Iwona Sroka, president and CEO of KDPW_CCP, said: "It was important to select a solution that easily integrates with KDPW's legacy CCP infrastructure and provides the connectivity and information required by our clearing members. NASDAQ OMX's Sentinel solution meets those requirements by providing the trade lifecycle and risk information required by KDPW and its members to clear OTC trades."

Lars Ottersgård, senior vice president of NASDAQ OMX market technology, said: "Sentinel Risk Manager provides a unique opportunity for CCPs to deploy a sophisticated risk assessment solution that can easily plug into their existing clearing infrastructure and preferred external liquidity sources."

BNP Paribas Securities Services opens new Dublin office

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It has offered investment fund services, including global custody and fund administration, in Ireland since 2001.

Patrick Colle, CEO of BNP Paribas Securities Services, said: "2013 marks [our] 40th anniversary in Ireland. These new premises demonstrate our continued commitment to Ireland as a servicing centre for both UCITS and alternative investment funds."

Ireland's minister for jobs, enterprise and innovation, Richard Bruton, said: "International financial services is a sector targeted under the governments action plan for jobs, and we believe that with the correct support we can continue to attract leading players in the financial services sector such as BNP Paribas and drive major jobs growth in this sector."

In 2010, the firm launched an investment programme in Dublin to enhance operational capability for traditional and alternative managers on a shared technology platform to encapsulate the research, development and innovation efforts undertaken locally for clients.

Assets under custody increase but GSF dips for Clearstream

Clearstream's January 2013 figures showed a decrease in global securities finance (GSF), but an increase in assets under custody.

In January 2013, assets under custody held on behalf of customers reached €11.3 trillion, a year-on-year increase of three percent.

For GSF services, the monthly average outstanding reached €548.8 billion. The combined services, which include triparty repo, securities lending and collateral management, collectively experienced a drop of 8 percent over January 2012.

The investment funds services saw a 41 percent increase from January 2012, with 0.67 million transactions processed.

EurexOTC Clear signs on three for client clearing

Two of the largest European investment managers, Insight Investment Management (Global) in London and OFI Asset Management in Paris, have successfully begun client-clearing services of the EurexOTC Clear for Interest Rate Swaps (IRS).

EurexOTC Clear for IRS launched on 13 November 2012, allowing Eurex Clearing to fully integrate the clearing and collateralisation of OTC and listed derivatives in a single clearinghouse within a single framework.

Both clients were introduced to the service as registered customers by the OTC derivatives clearing division of Barclays, a provider of global multi-asset clearing solutions for OTC and listed derivatives.

Among the first to clear such transactions, Barclays and its clients underlined their first mover commitment to being prepared well ahead of the clearing obligation in Europe.

The European hedge fund Whard Stewart Master Fund has become the first hedge fund to join the client-clearing services of the new EurexOTC Clear for IRS, with J.P. Morgan acting as clearing member in respect of initial transactions for Whard Stewart.

"We have found that clients appreciate the margin efficiencies of clearing listed and OTC in a single CCP. Eurex clearing understands the importance of client asset segregation, and their responsiveness in shaping the new service to meet market needs has been key for us in being among the first clearing members to clear client trades," said Hester Serafini, global co-head of OTC clearing at J.P. Morgan.

Walter Womersley, COO at Whard Stewart, added: "As OTC derivatives are crucial to our strategies and performance, choosing a comprehensive and efficient clearing offering in time for the clearing requirements is mission critical for our future success. EurexOTC Clear, offered through J.P. Morgan as our clearing service provider, offers comprehensive and innovative solutions to meet our demands."

Enyx reaches out to Asian markets

Enyx, a provider of field programmable gate array (FPGA) accelerated market data feeds, is set to expand commercial coverage into Asia during 2013 to support the growth requirements for its products and services in the region.

Arnaud Derasse, CEO at Enyx, said: "Asia is a key trading hub with high performance trading continuing its growth as exchanges update their infrastructure to take advantage of low latency trading."

"We are committed to the region and delivering FPGA solutions that are providing real improvements for firms connecting to the Asian exchanges and trading venues."

Supporting the expansion will be Nicolas Karonis, who has been hired as managing director for Enyx in the APAC region.

Initially based in Sydney, Karonis will be responsible for the growth of the business and the establishment of the Asian operations team to cover client support and project management.

Karonis said: "Asia is increasingly becoming a major market for systematic machine driven trading. The major exchanges in Japan, SouthKorea, Hong Kong, Australia and Singapore have invested recently in major upgrades of their trading platforms. Most other exchanges in Asia have equally promising projects."

"Now is the perfect time to bring Enyx's technologies to Asia to enable algorithm trading or market making firms to benefit form a best in class solution for data feeds. Our FPGA based data feed handler delivers data to the consuming application in less than 1.5 microseconds. This is less than the transit time for the fastest network cards and brings immediately measurable efficiency improvements into almost all algorithms."

Euroclear Bank offers post-trade services for Russian OFZs

Euroclear Bank's post-trade services for Russian OFZs commenced on 7 February.

The service is available via Euroclear Bank's account with Russia's central securities depository, National Settlement Depository (NSD), enabling all major international firms trading OFZs to settle trades and deposit their OFZ positions with Euroclear Bank.

The services began with OTC-traded transactions, followed by stock exchange-traded transactions in March. The Euroclear Bank/NSD link will also enable clients to settle cross-border transactions easily.

Frederic Hannequart, chairman of Euroclear Bank, said: "Industry experts are predicting new foreign capital inflows to Russia in the region of $20 billion (RUB 615 billion). Euroclear Bank is proud to become part of the new Russian financial centre by making OFZs eligible for Euroclear services."

Eddie Astanin, CEO of NSD, said: "We have worked with colleagues at the Bank of Russia, Russia's Federal Financial Markets Service and the Russian Ministry of Finance to make the necessary legislative changes that will greatly enhance the appeal of Russian Federal bonds."

"Together with Euroclear Bank, NSD is offering the government of Russia a broader, cheaper and more efficient way to fund the country's growth through the bond markets. A tremendous amount of work has been done to accelerate the process of fulfilling the necessary requirements for an effective cross-border service for OFZs."

Danish bank chooses SmartStream

Jyske Bank in Denmark has gone live with SmartStream's TLM corporate actions solution.

Troels Linderoth Lolck, director and head of securities services at Jyske Bank, said that the implementation was a quick and smooth process without any disruption to day-to-day activities. "We now have complete visibility, control and flexibility for all of our event processing requirements. We are very pleased to take on board the SmartStream TLM Corporate Actions product into our back office operations."

The solution includes several additional modules of a reference data manager, event manager, communications, election management, entitlement calculation and posting.

Alan Jones, product manager at SmartStream Technologies, said: "TLM Corporate Actions is now becoming the de facto corporate actions product in Denmark. We are delighted to be working with Jyske Bank as a partner to help them manage their corporate actions processes."

BNP Paribas Securities Services links with Singapore Exchange

BNP Paribas Securities Services has joined the Singapore Exchange (SGX) as a new CDP clearing member in what it called "a significant milestone for the bank" in its Asia expansion.

"One of the benefits of this deal is that it brings a wider choice of clearing and settlement services to the marketplace, supporting SGX's position as the Asian Gateway", said a statement from BNP Paribas Securities Services.

"This new appointment allows BNP Paribas Securities Services to extend its award winning clearing services to the Singapore market. It also supports the bank's stated strategy to expand its product suite in Asia Pacific and demonstrates its commitment to the region."

Bruno Campenon, head of clearing, custody and settlement product management in Asia Pacific at BNP Paribas Securities Services, said: "We look forward to providing our innovative clearing services to market participants, while further promoting the Singapore market to our worldwide client base."

There are now 27 clearing members in the securities market. The derivatives market has 42 trading members and 26 clearing members, and SGX AsiaClear, the OTC derivatives clearing unit, has 11 members for the clearing of OTC financial derivatives.

For the whole of 2012, BNP Paribas Investment Solutions's revenues, which totalled €6.204 million, were up 4.8 percent compared to 2011. the bank also revealed.

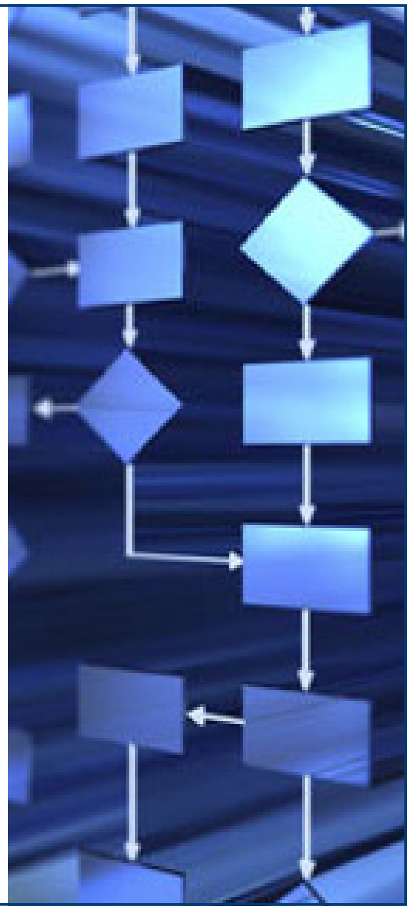
The bank's securities services' revenues grew 4.4 percent in 2012 compared to 2011, as a result of a rise in assets under custody and under administration.

In Q4 2012, gross operating income for BNP Paribas Securities Services was €37 million, a drop of €2 million from the previous quarter, but the same result as recorded in Q4 2011.

Operating expenses, which totalled €4,319 million, were up 1.4 percent compared to 2011 but were down 0.6 percent at constant scope and exchange rates.

Operating expenses were down 10.1 percent in asset management as a result of the adaptation plan, while investments in the business development of insurance, wealth management and securities services continued, especially in Asia.

In Q4 2012, investment solutions' revenues grew



13.9 percent compared to the the same period in 2011, driven by the good performance of wealth management and insurance. Operating expenses were steady, the business development investments in insurance and securities services being offset by wealth and asset management's decline as a result of the adaptation plan.

Given a one-off provision write-back for one specific loan, pre-tax income nearly doubled compared to last year, to €583 million.

In 2013, the investment solutions division plans to continue to strengthen its leadership positions in Europe with targeted high net-worth clientele, as well as to expand its product offering in securities services by capitalising on changes in regulations in the field of market infrastructure.

LCH.Clearnet's 2012 highlights

LCH.Clearnet's RepoClear product cleared more than €142.4 trillion nominal in 2012, according to its results.

Net underlying investment income was €132.3 million—down 5 percent—while average cash and collateral under management rose 13 percent to €83.6 billion.

The firm's OTC clearinghouse, SwapClear, passed $339.9 trillion notional cleared. ForexClear cleared notional of more than $440 billion in 2012 following its launch in March 2012.

Net revenues also increased by 24 percent to €426.2 million, headline operating profit grew 89 percent to €127.5 million and clearing fees increased 7 percent to €253.9 million.

Other 2012 highlights include the firm's acquisition of International Derivatives Clearing Group from the NASDAQ OMX Group in August.

The acquisition enabled the firm to improve its range of clearing solutions and operate a US-based central counterparty. As part of the deal, NASDAQ OMX was given a stake of 3.7 percent in LCH.Clearnet.

Revised terms for the London Stock Exchange (LSEG) offer for a majority stake share in LCH.Clearnet was also provisionally agreed in December.

LCH.Clearnet and LSEG have received approval from the Portuguese competition authority for the deal. The transaction remains subject to other outstanding conditions, including approval from the UK FSA.

Ian Axe, group chief executive at LCH.Clearnet Group, said: "Last year saw unprecedented stress in European sovereign debt markets and extensive global financial regulatory reforms covering CCPs. LCH.Clearnet came through for clients and regulators demonstrating once again our effectiveness within the global capital markets risk management framework."

"A €127.5 million profit is sound evidence of how we strengthened our financial stability and is proof of our longevity. We also achieved a number of important milestones in our strategic development, including reinforcing our leading market position in Europe by growing our OTC businesses and extending our horizontal exchange model, as well as investing in the US and Asia."

Apex makes big promise to asset managers

Apex Fund Services has promised to offer the most extensive range of fund services to asset managers globally.

Its commitment follows the launch of Apex Trade Manager, an order management system, and Apex Vision, its portfolio management system. Both systems are to be offered to any fund manager using Apex's services and also as a separate service.

Apex Technologies, a wholly owned division of Apex Fund Services, has been formed to offer fund managers a complete suite of technology solutions and third party services including the order management and portfolio systems.

Apex Technologies is partnering with leading organisations including Linedata, Pacific Fund Systems, Lazorne, Statpro, Newedge, Knight, RJ O Brien, EFG Hermes and Global Prime Partners.

The new services are fully integrated with Apex's existing fund launch platforms, fund administration servicing and middle office functions. Apex now provides fund managers with seamless services ranging from pre-trade compliance, trade execution and portfolio management, right through to NAV, risk and UCITS reporting.

Peter Hughes, managing director at Apex Fund Services, said that the launch of Apex's news services is set up for two reasons. "Firstly, to allow asset managers an affordable tool to ensure they meet the investable criteria of institutional investors.

"Secondly, to enable faster risk and performance reporting to our clients and their investors. Both products will be available to existing clients and potential clients across the globe via Apex's 29 international offices."

Chapman's Eye on the market

A cold wind blows

There comes a time in every good war/siege/horror/action movie when the lead protagonist whispers to another character, "it's quiet out there—too quiet".

We're at a similar stage in the recruitment calendar—either in or nearing bonus time for most firms, where, other than some notable exceptions, there's very little formal hiring going on. Firms are either waiting to see who leaves after being presented with a 'donut', or hoping that their most valuable employees don't leave straight after having banked a sizeable bonus, both of which are likely to happen over the next four weeks or so

There is also the third element of employees being let go due to poor Q4 figures, closures of whole divisions or shutting down of products, or a dismal outlook in general for 2013. The good news is that this does create a 'back-fill merry-go-round' with jobs being available for the best candidates, although I think that 'musical chairs' might be a more relevant analogy. Each quarter there appear to be fewer and fewer roles available, and with this supply/demand mismatch, firms have the luxury of being able to pick and choose exactly the right candidate for a given role.

Don't get me wrong, there are roles out there and we're looking for solid, senior salespeople in a number of jurisdictions, but the old days of a candidate being able to sit back and compare and contrast multiple job offers within a month or so of starting to look are long gone. It's a cold wind that is blowing through the financial services industry and it's not forecast to slow down—or get any warmer—any time soon.

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

Bottom line:

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BNY Mellon has been appointed principal paying agent, registrar, exchange agent, and transfer agent for Qtel International Finance's new $3 billion global medium term note (GMTN) programme.

Giambattista Atzeni, vice president and senior relationship manager for the Middle East, North Africa and Turkey in the corporate trust business at BNY Mellon, said: "Following the initial 10-year $1 billion senior unsecured drawdown under the programme back in December 2012, Qtel has subsequently issued two more notes, including 30-year $500 million notes, and therefore marking a significant milestone for corporate debt issuers in Qatar."

QTel is a telecommunications service provider that provides both fixed and mobile telecommunications in the state of Qatar and also operates in 16 other countries in the Middle East, North Africa and Southeast Asia regions.

In 2009, BNY Mellon was appointed principal paying agent and issuing agent for Qtel International Finance's $5 billion GMTN programme.

William Blair & Company, the global investment banking and asset management firm, has selected **Citi** to provide offshore fund administration services for its Luxembourg-domiciled SICAV funds. Citi will provide an integrated range of services including custody, trustee, fund accounting, transfer agency and foreign exchange solutions.

With $49.6 billion of AUM as of December 2012, William Blair launched its Luxembourg-domiciled SICAV funds in 2004 to allow European investors access to its investment strategies. Since then, the funds have grown to nearly $1.6 billion in assets as of the end of 2012.

"As our overseas business continues to grow, we are excited to partner with an experienced fund administrator with a global footprint to support our expansion plans while maximising shareholder value," said Rick Smirl, COO of William Blair Investment Management.

"We are very pleased to support a growing and highly-respected fund manager such as William Blair and look forward to helping them grow their Luxembourg SICAV business," added Sanjiv Sawhney, EMEA head of securities and fund services at Citi. "This mandate is further testament to the strength of our Luxembourg-based fund services platform."

Citi has had a presence in Luxembourg since 1970 and currently employs 230 people, providing transaction services, global relationship banking and funds industry services. Citi in Luxembourg recently opened a securities lending desk to offer an integrated execution, prime brokerage, securities financing, fund administration and custody platform to clients within the country and Europe.

Purpose Investments has chosen **CIBC Mellon** to deliver a full suite of asset servicing solutions, including custody, fund accounting, ETF administration and securities lending services.

CIBC Mellon will provide the newly launched Purpose Investments with a global custody solution via the BNY Mellon global network, and access to the workbench investment information delivery platform.

Purpose Investments was launched on 10 January, purporting to be a new asset management firm "wholeheartedly committed to democratising the investment industry, providing all Canadians access to a range of investment strategies that have traditionally been out of their reach".

The founder, president and CEO of Purpose Investments is Som Seif, who was previously the president and CEO of Claymore Investments, which is one of Canada's fastest growing asset managers.

"Purpose Investments is focused on offering great investment strategies at fair prices, and bringing real value and innovation to the Canadian marketplace," said Seif.

"Critical to our success is selecting highly capable service providers like CIBC Mellon. We have had a successful past working relationship with CIBC Mellon and their proven asset servicing expertise and outstanding technology, which will help our firm deliver strong performance while keeping investment costs down."

"We are excited to be working with Seif as he launches Purpose Investments here in Canada," said Gordon Kosokowsky, executive director of business development at CIBC Mellon.

"Like the team at Purpose, CIBC Mellon shares a culture that is deeply invested in delivering outstanding service and great results for our clients. We're proud to help power Purpose into the future."

Forward Management have chosen **Citi** to provide global custody services to support Forward Funds, a diverse group of traditional and alternative mutual funds with assets of $6 billion.

Rob Naka, managing director of operations at Forward Management, said: "As we expanded our range of offerings to include alternative, international and global strategies and Forward's assets under management grew, we searched for a custodian that could best help us implement these strategies."

"Citi offered a scalable solution that could meet our evolving settlement and asset servicing needs, and the resources of a premier global bank to support our longer-term strategic objectives."

Chandresh Iyer, head of wealth and asset manager services at Citi, said: "At Citi we approach investment services from an asset manager's perspective with tailored solutions that deliver access, insight and expertise from our on-the-ground presence in over 95 markets around the world."

"As Forward is thinking about the future, we are looking forward to delivering the advantage of partnering with a custodian that offers expertise across the full spectrum of banking and securities services."

All the President's men

BNY Mellon's Rachel Turner looks at the challenges that Ireland's funds industry is facing in 2013—and outlines how the country's turn at the EU presidency represents a unique opportunity to shape future regulation

One of the greatest challenges facing the Irish funds industry in 2013 is increased regulation at both a global and local level. How quickly the industry in Ireland adapts to these changes will be critical to maintaining the upward growth trajectory that the industry has enjoyed in recent years.

The much-debated Alternative Investment Fund Managers Directive (AIFMD) will finally come into effect in July. And while the changes have long been anticipated, a much tighter timetable following the completion of Level II measures at the end of last year will test the preparedness of both investment managers and service providers.

Whatever the pros and cons of AIFMD, there is no doubt that it will represent a significant sea change for the funds industry in Ireland. It will transform how funds are managed, how we provide services, as well as the number of services a fund will require. As a result, the pressure in the new operating environment will be on service providers to offer the full A to Z of complimentary services to investors.

There exists a significant opportunity here for Ireland to react and adapt quickly, and put in place a structure for continued growth. The Irish fund industry should look to leverage the implementation of AIFMD to expand its capabilities beyond core activities of fund administration and custody, by, for example, introducing new ancillary services such as risk management to the Irish funds landscape.

If the Irish funds industry can embrace AIFMD and expand its capabilities—providing a one-stop solution to investors—it will reap the rewards.

Another potential development—the shadow banking review—has the potential to present additional challenges for the industry. The review will examine money market funds and adjust how these funds are priced and constructed. Given our unique perspective, as we are both manufacturer of and service provider to money market funds, BNY Mellon is working collaboratively with all stakeholders to assess the implications of the various solutions. There is no one obvious solution but we expect greater clarity later this year.

Ireland's EU presidency

Ireland's EU presidency in 2013 presents the country with a unique opportunity to influence and shape future regulatory direction for the wider funds industry. No other EU country has the in-depth knowledge and experience of the funds industry, which it has built up over a number of decades, and the inclusion of a number of key agenda items of consequence to the industry will give us a front-row seat over the next six months.

Whatever the pros and cons of AIFMD, there is no doubt that it will represent a significant sea change for the funds industry in Ireland

I expect Ireland to take a leading role in shaping UCITS V and ensuring its successful implementation over the duration of the presidency.

UCITS VI will follow this, and although we will no longer hold the presidency when this comes into effect, the Irish presidency will need to make significant progress in laying the groundwork for the next iteration of these directives. My hope would be that UCITS VI will see a greater drive towards harmonisation within the funds industry, taking on board the lessons learned from past directives and building it into this new legislation.

Opportunities for future growth

The Irish funds industry is well known in the US and in the UK and we will continue to attract new investors from these regions in 2013. In order to continue to grow however, Ireland needs to begin to target emerging distribution markets such as South America and the Middle East, in addition to continuing to raise its profile in Asia.

Assets serviced by the Irish funds industry reached an all-time high of €2 trillion in 2012. The industry continues to lead the way when it comes to additional flows, with more than 40 percent of UCITS asset flows in Q1 2012 coming through Irish vehicles, and more than 10 percent growth in net assets of UCITS in the first half of last year. I firmly believe that this is down to the fact that Ireland is still seen as a good place to do business from a funds perspective, despite the financial crisis. We are still seeing a huge appetite from investors to place money in Ireland, so I am optimistic that we will reach €2.5 trillion in assets serviced by the Irish funds industry by the end of 2013.

The financial world has changed, and Ireland has been able to adapt quickly to a number of challenges over the years because we have had the intellectual capital at our disposal to cope with some of the more complex funds in the market—this has been the success story of the Irish funds industry. Increased regulation will further test our capability to be innovative, however if we can continue to stay ahead of the curve and adapt quickly, and continue to work with a regulator that is cognisant of the complexities of the funds industry, I believe that we will continue to thrive. **AST**

Rachel Turner
Head of offshore for asset servicing
BNY Mellon

Forging financial links

Growing offshore RMB deposits and planned cross-border collateral management services are both positives for Hong Kong's financial services industry, as AST finds out

GEORGINA LAVERS REPORTS

In July 2011, Bank of China launched its cross-border custody service product. As the first domestic bank to do so, it showed intent to prove that Chinese banking entities are capable of providing the cross-border custody services by themselves.

But progress in this area has not been as strong as it might. Laurence Van Der Haegen, head of operations at Euroclear Bank's Hong Kong branch, says that it is typical for local Asian banks to cater for clients in their respective domestic markets, including domestic financial institutions.

"However, where a local bank needs to offer cross-border custody services, it will usually work with an international bank with a global presence or a proven capital market infrastructure service provider."

Currently, he adds, Euroclear Bank is working with the Hong Kong market on its cross-border asset servicing aspirations.

Last summer, the Hong Kong Monetary Authority (HKMA), Euroclear Bank and J.P. Morgan Worldwide Securities Services (now a part of the investor services group) put in place a range of cross-border collateral management services for local firms. This launch enabled firms such as UBS in London and HSBC in Hong Kong to conduct their first ever renminbi (RMB) tripartyrepo, using Euroclear Bank and the HKMA as collateral management agents, respectively.

Van Der Haegen says that Euroclear Bank expects this development to prompt local banks in Hong Kong, and wider Asia, to increase their use of existing proven capital market infrastructure service providers for more of their cross-border custody needs, rather than trying to recreate their own model.

Pools of justice

The burgeoning RMB business is an advantage for Hong Kong's financial services industry, and it is a fast-growing asset pool. In 2011, RMB trade settlement handled that was handled by banks in Hong Kong amounted to RMB1,915 billion, accounting for 92 percent of the total amount of mainland China's external trade settled during that period (RMB2,081 billion).

The country has the largest pool of offshore RMB liquidity, and has become the global hub for RMB dimsum bonds, with issuance totaling RMB108 billion in 2011.

"Offshore RMB deposits are expected to continue growing," agrees Van Der Haegen. "The HKMA reports that RMB cross-border settlement expanded four-fold from RMB50 billion in August 2010 to almost RMB200 billion in October 2012. HSBC estimates that by the end of 2015, the level of RMB deposits in Hong Kong will increase to a total of 30 percent from the current 9 percent of all Hong Kong deposits."

Van Der Haegen says that, for the clients that Euroclear Bank serves in the region, it is witnessing strong growth in the value of domestic fixed-income securities deposited in Hong Kong.

"In fact, this trend is true of almost all of Asia. The most remarkable growth is in Australian and Singaporean fixed-income debt. Experts predict that private wealth management will continue to shift towards Asia, particularly to financial centres like Singapore. Money managers in the region will look to make their clients' assets work hard. Consequently, Singapore and Asia as a whole is already experiencing unprecedented cross-border securities transaction flows as the investment communities are looking for competitive returns around the globe."

Though national institutions control the biggest pool of assets in Asia, Van Der Haegen asserts that they are open to participating with global players.

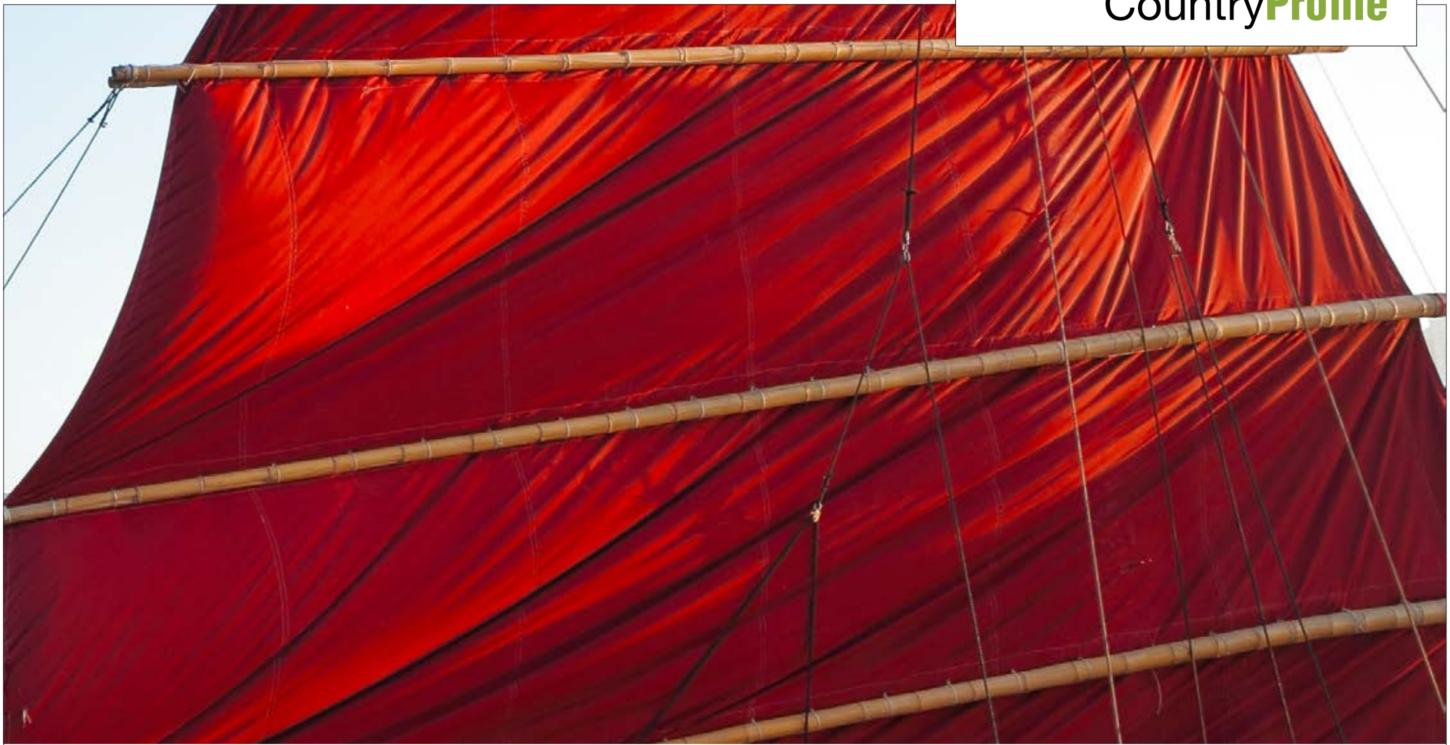
"Over 50 percent of our clients in Asia are national central banks, and they express their confidence in our operational expertise and safety by entrusting us with a growing amount of their business."

Free entry

Foreign investors' frustration at not being able to buy or sell shares on China's stock exchanges due to the region's tight capital controls came to an abrupt end in 2002 with the launch of the Qualified Foreign Institutional Investor (QFII) programme. QFII meant that licensed investors can buy and sell RMB-denominated A shares—with the caveat that foreign access to these shares is limited by specified quotas that determine the amount of money that the licensed foreign investors are permitted to invest in China's capital markets.

"The licence programme aims to open up mainland China's stock exchanges to foreign investors," says Vander Haeden. "To date, over 100 firms are accredited under the QFII label. However, the levels of future foreign investment into this country hinges on the pace of capital market liberalisation that China's authorities permit."

China Securities Regulatory Commission chairman Guo Shuqing said in Hong Kong early this year that quotas for the US dollar-denominated QFII and RMB-qualified foreign institutional investor (RQFII) schemes could be increased by as much as 10-fold.



At present, the RQFII scheme allows only Hong Kong-listed mainland fund managers to invest their offshore RMB in the domestic equity and bond markets.

However, analysts have shrugged off the announcement, stating that bigger QFII quotas are unlikely to draw investors concerned about a flagging A-share market.

Disregarding the downside of QFII, it seems as though asset servicers are booking the benefits of closer links with Asian markets.

Beginning with creating closer ties with the depositories and agents in the region to help along information flows—key in a market that still prizes local knowledge highly—firms have been able to create valuable clients.

Financial secretary John Tsang predicted that Hong Kong's economy should perform "slightly better" in 2013 than last year, backtracking on an earlier claim that Hong Kong's trade-reliant economy may enter recession if its major partners show a loss of growth momentum or signs of contraction.

But, with a long-established custody hub, and strong infrastructure, Hong Kong's value as a custody sector does not look set to wane any time soon. **AST**

A blank slate

GOAL Group CEO Stephen Everard discusses how securities litigation in Hong Kong could change behaviour in the market

While some jurisdictions may not have as robust a securities litigation framework as countries such as the US, recent developments across different regions reinforce the need for global firms to monitor potential litigation venues around the world. In East Asia, Japan has a lively legislature dealing with securities class actions cases, and China is likely to introduce more stringent corporate governance and securities standards in the near term. In South Korea, securities class actions were given a kick start with a filing in 2009 that breathed life into the Securities Class Action Act, which until then had not been exercised.

Hong Kong may also follow suit, as in May 2012 the securities regulator proposed that it may introduce legislation to allow class-action lawsuits to help investors seek damages. However, this new regulation would initially only apply to product liability and consumer fraud cases, and not to purchasers of securities. Nevertheless, the announcement heralds definite progress in a legislature where investors seeking damages are often deterred from litigation as losing parties must cover their opponent's legal fees.

One Hong Kong-based financial services regulatory lawyer commented last year that allowing class actions in Hong Kong might therefore drive a change in mindset and behaviour in the market, as it could encourage higher standards of corporate governance and management behaviour.

If Hong Kong does introduce a class actions framework, it would present fiduciaries with a growing risk of being sued if they do not ensure their investors are included in class actions across the globe. GOAL Group's analysis of its class actions knowledge base shows that 23 to 24 percent of admissible claims are not being filed in securities class actions. The responsibility for doing so is increasingly being included in custodian services contracts. And trustee associations have confirmed that such participation is a key responsibility of their members. There is no viable excuse for non-participation as a number of specialist service providers can now perform this function at relatively low cost.

There is a growing pressure of global class action cases looking for a home in a legislature that is able to define and prosecute a global class. The global current front-runners would appear to be the Netherlands, Germany and Canada, but there is a lively class actions scene developing in East Asia, with Japan, China and South Korea leading the way. It is quite possible that Hong Kong could become one of the next legislatures to allow global securities class actions, and become a regional centre for the prosecution of such cases.

Follow the Riva

Ghassan Hakim of Riva Financial Systems introduces the company's transfer agency solution, Riva TA

Nestled away in the peaceful surroundings of the Isle of Man is a thriving niche software company that is making a big impression on the global asset servicing industry.

In January 2013, Franklin Templeton Investments, one of the world's largest asset managers, announced the news that the Riva Transfer Agent (Riva TA) solution had been successfully deployed across its entire international transfer agency operations.

The deployment of Riva TA supports Franklin Templeton's long-term goal of having flexible, portable and scalable solutions across the many regions of the globe where its funds are sold and supported, while reducing its overall development costs and ensuring rapid time-to-market transfer agency solutions in new and existing markets as well as creating operational efficiencies.

In this article we learn more about Riva Financial Systems and its unique transfer agency solution.

About Riva

Riva was incorporated in October 2002 by a group of industry professionals with extensive operations and technology experiences at some of the largest asset managers and fund administrators in Europe. The founders recognised that there was a lack of modern investor record keeping technical solutions available for an increasingly dynamic asset management market environment where new investment products could not be sustained by legacy platforms. Their vision called upon the creation of a flexible, cost-effective, totally integrated global transfer agency system solution to leverage best of class technology and servers, and the flagship product that emerged from this blueprint was Riva TA.

Suitable for both transfer agents and fund administrators, Riva TA is a highly functional dealing and registration software solution capable of supporting the entire investor record-keeping process across multiple administration centres, investment products and currencies, all on a single platform with a low total cost of ownership and a range of features that are designed to make transfer agency operations more efficient, flexible and responsive. It offers among other features, a web enabled front-end for ease of servicing, integrated cash management and general ledger advanced functionality, integrated imaging and workflow functionality, enhanced foreign exchange processing, and interface capabilities with an open database architecture.

To fully complete its value proposition, Riva Financial Systems maintains a team of highly skilled business analysts, software quality engineers and developers recruited from within the financial services industry to ensure that design, implementation and support issues are always addressed in the appropriate business context by individuals with the required expertise.

Valuing the island's enterprising heritage and values, and a vision that looks beyond its shores to the world at large, Riva is headquartered in the Isle of Man, with offices and employees based also in Luxembourg, Canada and India.

As at January 2013, approximately $230 billion of assets were administered using the solution, across 14 global locations covering Asia, the Middle East, Europe and the US, and plans for deplyment and implementations in other global jurisdictions are already under way.

Riva's ascendancy was publicly acknowledged in September 2007 when Franklin Templeton Investments acquired a majority stake in the company.

Riva's status as a key market player was confirmed in January 2013 following the announcement that Riva TA had been successfully deployed across the entire international transfer agency operations at Franklin Templeton Investments marking the culmination of a project that was described as being "unprecedented in terms of scale and complexity" .

Riva Financial Systems

Features of Riva TA

Functionality	Description
Products	Riva TA's dealing and registration capabilities cover: • SICAVs • UCITS • OEICs • Unit trusts • Investment trusts • Hedge funds • Fund of funds • Series funds • Capital commitment/capital call • Offshore and onshore funds
Dealing Suite	• Several dealing modes, including manual, STP, or internet capture • Supports fund dealing, switching and transfer • Capable of dealing in multiple currencies • Tracks initial charges, discounts, commissions, CDSC, redemption and switch fees • Supports NAV, bid and offer, or whole share dealing • Includes dealing calendars and regular savings/withdrawal plans
General Ledger	• Multi-company with trial balance, P&L, and balance sheet reporting
Cash Manager	• Controls and audits all cash activities • Balances held at investor, broker, and account levels • Real-time visibility of cash position
FX Manager	• FX P&L reporting and margin control • Transacts, converts, and reports in any currency
Receipts Manager	• Auto and manual match of transactional receivables
Payments Manager	• Management and control of all transactional and periodic payments
Distribution Manager	• Supports dividend processing at class level • Includes tax reporting • Provides income or reinvestment options • Supports cash or money market funds
Case Management	• Client/broker contact events recorded • Supports fulfilment or standard letters • Integrated with back office and workflow processes
Commissions Manager	• Supports front end, renewal (transaction-based) and offshore retrocession (asset pooling) • Features a four-tier broker hierarchy • Manages commissions in multiple currencies
Client Reporting	• Flexible multi-lingual output for reports and fulfilment • Reporting at various levels • Output for in-house or external print shop
Messaging	• Interfaces to messaging middleware for STP and NSCC
Data Conversion	• System migration is managed through an interface
Performance Fee Equalisation	• Utilises multiple methods of equalisation, in addition to series fund accounting to administer performance and incentive fee methodologies
Commitment & Call	• Commitment and capital call methodologies available—unitised fully and partly paid and non-unitised additions and reductions
Multiple organisations & TPA	• Supports complex administration environments by segmenting account and customer data into structured companies and departments, ensuring privacy and security of customer data
Workflow	• Automates dealing and administration activities within and across departments streamlining day-to-day operations
Imaging	• Auto-indexes scanned copies of client documentation with related activity
Online Services	• Real-time dealing and reporting via the web • Provides broker and investor views and tools • Allows clients to deal directly online • Supports the broker hierarchy for viewing assets managed • Online enquiries on holdings and transactions for investors and brokers • Additional services such as interface branding and integration with client applications available through Riva customisation services

A changing landscape

The convergence of alternative and mutual fund attributes, the continuing appetite for globalisation, the pressure to reduce costs, and the need to maximise efficiency are all key issues facing the investment and fund industry. These issues cause particular distress for those transfer agents that are reliant upon legacy systems, and those that maintain multiple vendor relationships.

Add to this increasingly complex investment fund structures and a seemingly unstoppable wave of regulatory and tax changes, in an environment where the administration demands that are incumbent upon and the responsibilities that are associated with the transfer agent continue to intensify, it is easy to see why the opportunity to utilise the benefits of a comprehensive single transfer agent solution capable of servicing multiple jurisdictions and complex product types is attractive.

In these changing markets, concerns about risk and cost are at the forefront, but being business agile and operationally efficient to respond to opportunities remains critical.

Riva TA

Riva TA comprises a range of features that are designed to make transfer agency operations more efficient and responsive to both client needs and market changes, by allowing customers to consolidate all of their servicing requirements onto a single platform, substantially reducing costs and increasing operational efficiency. The Riva TA single platform view of shareholders, investors, brokers, financial representatives and institutions leads to enhanced and more effective service delivery models.

As a new global solution to the market, the system is designed with the latest technology in mind. As a modern service-orientated architecture application built on IBM server technology, we believe Riva TA to be more robust, flexible and cost-effective than any other single-platform solution. As Riva TA has been designed to be scalable, it readily expands as volume increases or new acquisitions or jurisdictions are added which is particularly attractive for third party administrators.

We realise how much is at stake when it comes to acquiring a new transfer agent solution, and recognise that considering a different transfer agency system presents asset management companies with many difficult decisions. However, with increased globalisation and cross-border activities, we believe that asset managers and third party administrators are better served with a single platform across multiple jurisdictions. With Riva TA, the intricacies of conversion were anticipated during the system design and as a result a specific conversion function manages the migration process more efficiently with less risk.

Riva TA came about through a collaboration of asset management industry professionals, each with extensive knowledge of the business and technical expertise in the field. Furthermore, because Riva TA is supported by the same team that created the system, the level of knowledge and quality of service are exceptional.

To-date, Riva TA has proven successful with customers in major European jurisdictions, including the UK, Dublin and Luxembourg, and has been successfully deployed across the entire international transfer agency operations at Franklin Templeton Investments.

The Riva advantage

Riva TA is in a class of its own for several reasons:

- It is a global solution.
- A truly global system deploys to multiple jurisdictions, including all cross-border and offshore jurisdictions neither limited to one physical location nor to one jurisdiction or fund structure, incorporating the different languages, time zones, currencies and the specific parameters that are associated with each, including the required regulatory and tax rules that are relevant to each jurisdiction.
- It is a single-system solution.
- All of Riva TA's functionality exists within a single tiered system—a single database, a core feature set, and a wide range of specialised functions. Based on client requirements, specialised functions are enabled when the system is installed. As business goals change over time, additional capabilities can be switched on within the core solution. There are no extra components to plug in, extra equipment to buy, or separate databases to integrate.
- Multiple administration centres are supported in a single database.
- Riva TA allows clients to operate from multiple offices across international borders and jurisdictions using a single database with 24/7 access allowing investor accounts to be linked with ease.
- One system for nearly any type of fund product.
- Massive variety of product support is available, including both mutual and fully integrated alternative funds. The system is architecturally designed to enable STP and client interfacing.
- Riva TA is built using modern flexible methods, partnered with scalable IBM server technology. As business processes, legislation, and market movements demand more from transfer agent systems, Riva TA's architecture supports rapid, cost-effective change. Riva TA also has an integrated and highly configurable real-time web based online reporting and dealing platform for investors and brokers.
- Comprehensive software solution for cost, conversion, and quality of support.
- As a comprehensive software solution, Riva TA meets the three most significant criteria for any prospective client—cost, conversion, and quality of support. It has a highly configurable, flexible, comprehensive, modular single database structure allowing for scalability and simple customisation.

Learn more

We understand that when it comes to researching shareholder record-keeping technology solutions, it can be a challenge to clearly differentiate one from another.

Should you wish to learn more about Riva TA, please contact us and we can set up a 'phone an expert' discussion, offering you an informal yet detailed conversation with one of our technical experts about any of Riva TA's features or functions.

We would also be happy to arrange an on-site visit, where a Riva representative will visit you to discuss your business needs and determine whether Riva TA is an appropriate solution.

To learn more about Riva TA's potential within your organisation, please visit our website www.rivafs.com or alternatively please call us on +44 (0) 1624 850 140 or email learnmore@rivafs.com. **AST**

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Global head of product for transfer agent and fund dealing services
BNP Paribas Securities Services

Andy Chesterton
COO of global transfer agency
Bravura Solutions

Feeding the thousands

AST's transfer agency experts talk about the ongoing shift from discrete domestic markets so prevalent in Europe, as well as the sensitive topic of outsourcing

How would you differentiate transfer agency services in Europe from Asia or North America?

Andy Chesterton: North America is a large, wealthy, and homogenous market with a single currency, a single regulatory regime and an integrated banking and payments system. For the majority of its growth heyday, there was also a single consumer language. US transfer agency providers were able to leverage the scale of that single market to invest earlier and more heavily in technology than their counterparts in Europe and the developing world. The market has repaid that investment over a much larger investor base leading to lower administration costs and typically lower fund annual management costs. The massive investment made by early entrants represented a significant barrier to entry to other players and the market became concentrated in the hands of a few large transfer agency providers.

Europe by contrast traditionally had a funds market that was separated into national silos that were distinguished by different currencies, regulations and tax laws, and customs and practices, as well as many different consumer languages. For systems and administrators to be successful in multiple European countries, they had to develop different systems and transfer agency process models for each specific domicile. The EU, with some degree of success, has made significant strides to try and consolidate this fragmented market. The introduction of the European single currency swept away foreign exchange issues for the participating countries. The various UCITS directives have provided an EU-wide funds regulatory regime that continues to edge the EU funds market towards the nirvana of a free and fair level playing field for cross-border funds marketing, although this has not yet achieved that goal.

To date, the biggest beneficiaries of the UCITS brand have been the offshore, cross-border markets of Luxembourg and Dublin rather than the domestic national European funds markets. The UCITS IV directive in particular provides many of the enabling regulations that will permit EU fund managers to market a single central fund range freely across Europe rather than having almost identical separate fund ranges in each separate domicile. It is likely to take several years for fund management groups to make the huge structural changes that are required in order to achieve this. It will also be dependent upon a more harmonised approach into the taxation implications of merging existing separate fund ranges. Until then, the EU transfer agency market will continue to be more fragmented and/or more expensive to operate in compared with the US.

Sooraj Sreenivasan: From a transfer agency perspective, the US is the closest to being a single market. It is dominated by a few large domestic transfer agents that have large scale operations. Over time, the market players have institutionalised dealing and US dollar settlement standards, operating through local clearing agencies. The wide acceptance of these standards has contributed to a high level of automation, which is a dream come true for every transfer agent. The market is focused on domestic investors and the challenges that international transfer agents face is in changing the current infrastructure to support nuances that are associated with global distribution and multiple currencies. These changes are being driven by distributors and fund managers that are marketing their UCITS to pension funds in the emerging South American countries.

The European fund industry has seen a trend of moving from direct investor transactions to one of distributor and nominee order processing. The cross-border market for funds that are domiciled in Ireland and Luxembourg has significantly expanded and has created a requirement for transfer agents to offer services that support the sale, promotion and distribution of funds in Asia, the Middle East and Latin America.

Asia is a fragmented market; geographically and also for the different fund structures and distribution models that exist. Asian fund distribution is dominated by local and global banks. Asian transfer agents in Taiwan versus Singapore and Hong Kong versus India and Vietnam have a different story to tell, but the key challenges are around multiple local regulations and limited standardisation and automation.

There are three markets in Asia that focus on domestic funds and cross-border products from Europe. These are Hong Kong, Singapore and Taiwan. This has presented a challenge to the transfer agents that service European products but do not necessarily have an extensive footprint in these locations. In each of these jurisdictions, the legislation is changing to encourage the creation of domestic products and this will eventually affect the cross-border funds that wish to enter these markets. Other countries in Asia are becoming more focused on expanding their domestic fund offerings either through changing the criteria for investors to acquire these assets, for example Indonesia, or introducing regulations to allow open-ended funds, which occurred in Vietnam last year.

Fund managers are looking for truly global transfer agents that have a physical presence in the key markets where the asset manager wishes to domicile and sell its product and where the distributor expects support to process the business that it introduces to the fund. The ability of the global transfer agent to offer a consistent suite of reports, delivery channels and processing standards across multiple countries around the world will be the key challenges and expectations for the new breed of truly global transfer agent.

Jean-Louis Vayne: The European fund industry is characterised by the ongoing shift from discrete domestic markets to a single regulatory framework distributing funds into multiple individual markets. In facilitating this, service providers need to offer fund representative services in these markets, support multiple settlement models and provide multi-currency capabilities with multi-lingual servicing. This compares well with the Asian market, where the success of UCITS has seen the distribution of cross-border funds that are supported by transfer agents with local registration, service and language capabilities. In contrast, the US model represents a huge domestic market, which is very mature and supported by an efficient market infrastructure and homogeneous service model.

Pierre Mottion: The structure of the fund business is different from one continent to the other, so transfer agency services are different even if there is a consistent focus on centralising the shares of the fund. In Asia, the market is still fragmented between various countries under different regulatory regimes. The transfer agency market is still very domestic with few funds available cross-border.

In the US, the fund business is mature and highly automated, and it is supported by a strong market infrastructure (National Securities Clearing Corporation, or NSCC). The American market is also very domestic-focused, with very few funds available cross-border. Although the market in Europe is fragmented, the UCITS framework is making European funds the only real international cross-border funds, and it is also moving Europe towards standardisation of the industry.

What we see is a market in transition, and the European Commission is aiming to make the European fund business more competitive, especially compared with the US fund industry. As a result, transfer agency services in Europe are managing at the same time the complexity of different markets and the development of standard models, with an emphasis on operational efficiency and investor protection.

Jonathan Willis: Transfer agency is an important service. It is an integral component of the complete solution of the mutual funds lifecycle. As such, the demand for this service is tied very closely to the development of the mutual funds market. Europe and North America have far more mature markets for these products, which means that transfer agency services are also more mature. Europe has Euroclear, Clearstream and Calastone, together with passporting fund requirements that help automation. America has NSCC, which has a dominant position. Asia is much more locally focused as a region. Overall, its less homogeneous requirements make it less scalable. Europe is fully mature in terms of service. It is all about distribution with transfer agents being asked how they can help in asset growth and entry to new markets. While it is still important to get the basics correct, it is now much more about what else the transfer agent can bring to aid the fund management company.

Ghassan Hakim: The US has a largely retail and primarily domestic transfer agent operating model, with limited multi-currency and multi-lingual capabilities when compared with other major fund centres in the world. Operating in one single regulatory environment has allowed for the market-wide adoption of standardised practices, allowing the industry to have a standard platform for clearing and settlement, namely DTCC's FundServ platform. The US has so far been much more successful in this than any other region and is therefore considered to be the most advanced country with regards to standardisation.

The European market is very different because it has to cater for a multitude of operating models, languages and currencies in multiple jurisdictions, and even with increasing amounts of legislation at an EU level, there remains much local legislation to contend with. The differing operating models include the mainly domestic retail market of the UK, the mature global cross-border markets of Luxembourg and Ireland, the role of the third party administrator and the rise of the offshore transfer agency centre model for markets such as Poland.

Although less established, Asia is similar to Europe in that it is made up of a multitude of distinct markets that are individually defined by their own particular distribution models and regulatory environments. However, as there is no authority pushing for standardisation between the various countries, a single pan-Asian market is generally considered to be a very unlikely proposition at this time, and as such Asia remains a very fragmented market.

What are the challenges in increasing automation in Asia?

Willis: There is no STP platform in a dominant position and as a result, transfer agents like ourselves need to connect to all European platforms. Normally this would mean that STP levels would increase as distributors can use whatever suits them, but it also means that for full market coverage they cannot just pick one, which leads to the continued use of fax. Even when using STP solutions, there is a lack of standards in each country, even in things that you would normally say would be standard such as ISO20022 messages. Each country uses them slightly differently so you still need a country/distributor adaptor. The other barrier to further automation is costs. Offshoring to low cost centres has helped transfer agents to meet the continued pressure to lower costs while maintaining service, but it has not helped the automation argument. Focus on current year profit and loss means that return on investment periods of less than two years are now mandatory and same year is preferential both with transfer agents and fund managers. In this climate, it makes costs for additional automation look increasingly expensive verses manual in locations such as India, for example.

Vayne: Automation levels vary widely from country to country, generally in correlation with the maturity of the local market. Given that, we must ask ourselves if full automation is achievable. Transfer agents increasingly need to retain the flexibility to enter new markets with their asset manager clients while maintaining good STP rates. The drive to lower expense ratios and the need to manage operational risk are strong incentives for the industry to automate. Market actors will need to continue to push for automation according to standard protocols as individual markets become more mature.

Chesterton: Europe's fund industry has moved forward with automation of functions such as processing and settlement of fund orders, further boosted by initiatives such as the Findel 'single legged transfer' standard in Luxembourg. Fund management companies and third party administrators in both domestic and cross-border environments are using flexible transfer agency systems such as Bravura's GFAS to ensure extensive functionality and improve operational efficiencies via automation. Challenges remain in Asia, but with wages increasing in countries such as Hong Kong and Singapore, the costs of manual processing are rising at a time when the expense of automated processing is falling.

Hakim: Increasing automation where possible is clearly an attractive prospect for transfer agents due to the decrease in operating costs and increased efficiencies that are traditionally associated with automation.

Having invested a considerable amount of time, effort and money in automated solutions, fund providers, distributors and third party administrators are now reaping the benefits where possible. The standardisation of processes has allowed automated deal processing in particular to flourish, resulting in reduced operational costs and lower processing error rates, but there is still a way to go and there is still a lot more STP investment needed, particularly for alternative investments.

Throughout the industry, there are increased calls for a global transfer agency platform that can service multiple product types, replacing multiple legacy systems, each focused on a particular investment vehicle. The current landscape of multiple systems carries higher cost, redundancies, training challenges and inefficiencies in disaster recovery plans and so much more. Software providers and IT departments need to refrain from band-aid solutions such as developing 'surround' systems to their legacy platforms and start focusing on developing an integrated single solution.

Mottion: The European market has been through many automation initiatives (such as SWIFT or Calastone) and has reached a useful level of automation, however, there are still areas where automation can improve. We are seeing progress, for example, with the Sharp initiative, and the development of new generation of SWIFT 20022 messages. European infrastructure is also evolving for the benefit of greater automation thanks to T2S.

Having said that, there are still challenges ahead for developing automation further. With additional focus on investor protection, the market is facing the issue of combining operational efficiency with a detailed knowledge of the investor base. This is creating the need for a solution whereby the investor can still be monitored within the chain of intermediaries of distribution.

Sreenivasan: Increased cross-border distribution is making transfer agents re-think their strategies, with some moving from a regional transfer agent towards building a global transfer agency capability. Investments are being made to build new functionality into existing systems or to integrate various local platforms to create efficiencies. While some transfer agents have already built most of the capability, others are still investing heavily in technology to bridge the gap.

Europe is a mix of domestic funds in France and Germany where processing is fully automated and the cross-border, multi-currency products, which are predominantly serviced from Ireland and Luxembourg, where automation levels are much lower than in the US. The cause ironically lies in the hugely successful cross-border distribution, particularly in emerging markets with low STP rates. In the majority of cases, settlement functions are still very manual. The introduction of various fund platforms and the consolidation of individual investor requests through distributor and nominee services has increased the opportunities for automation. Automating the cross-border flows requires active engagement between transfer agents and distributors to agree common standards. For the economics to add-up, investment in automation needs to deliver scale and improved resilience.

Regulators in some markets have provided the impetus for automation with the introduction of market infrastructure that all participants can easily plug-into.

Asia today by comparison has a manual service offering that is starting to change as the cost of labour increases in the primary fund markets of Hong Kong and Singapore. In addition, some markets such as Taiwan have introduced central depository standards. Similar to Europe, Asia is moving towards a distributor/nominee servicing proposition.

What are the latest developments to affect the transfer agency industry?

Willis: Transfer agency is evolving to meet the new demands of aiding global distribution. Transfer agents are and need to move from 'order taker' to 'distribution enabler' to show added benefit to fund managers. This is requiring a much greater understanding of markets that previously would have been known to a few and occupied by even less. It is also no longer acceptable that you have some knowledge. Instead, you have to evidence a deep understanding of where these markets are now and more importantly where they are going.

Entry times to new markets are increasing as the local regulators take their responsibilities to protect the customers to greater levels, so you have to not only be able to talk about how to enter that particular market, but also what types of funds are being sold and how the distributors want to see them. You need to know how long the regulator takes to approve new funds and the likely shelf life that those funds will have. We are also seeing significant increase on more real time reporting to help cut across time zone differences and it is almost a must to have web access to all unit holders. There are also some more specialist reporting in specific regions, such as the central provident fund in Singapore, which has its own set of reports that have to be met.

The other challenge that we see is the bespoke reporting granted by fund managers to the more powerful distributors as they try to ensure fund flows through their products. This will only be overcome with automation of trade, settlement and reporting through recognised platforms such as Calastone.

Sreenivasan: Increased regulations, which are mostly focused on investor protection, will shape the future development of transfer agency for traditional and alternative products. Key among these include:

- The Alternative Investment Fund Directive (AIFMD) will require changes to platforms to support the reporting requirements. We expect to see an increase in the re-domiciliation of fund jurisdiction from offshore markets to within the EU as a result of this regulation.
- The Retail Distribution Review introduced last year in the UK created a major change in the remuneration of agents and distributors selling fund products to UK residents. Though this regulation was UK-specific, it had an impact on cross-border products that are domiciled outside of the UK and registered for marketing in the UK. Many transfer agents were engaged in developing their 'international' platforms to accommodate the UK regulations.
- The Foreign Account Tax Compliance Act (FATCA) and associated rules from the US Treasury and various inter-governmental agreements (IGAs) will require changes to core transfer agency platforms, know your customer processes and tax reporting. There are 30 or more countries planning to sign IGAs with the US. The big question is whether other countries will follow in adopting similar tax reporting for their nationals.

Distribution enablement and support is another opportunity for transfer agents to grow beyond the basics of processing subscriptions and redemptions. The establishment of a network of paying agent/representative offices is seen as an extension of the traditional transfer agency service and a value adding service for clients that do not have a direct presence in all markets.

Mottion: With the implementation of UCITS IV directive, the market has directed its focus on the management of key investor information documents (KIIDs). This period is now over and the market is considering the other elements of the UCITS IV toolset, such as master/feeder structures, fund mergers or management company passports.

AIFMD and FATCA are the next challenge and transfer agents will be highly affected. On top of this set of regulatory changes, asset managers are looking to distribute into new territories and new types of investors in order to gather more assets. Transfer agents will have to provide a broad scope of services in order to assist their clients in their sales development, such as look-through reporting on distribution, local fund agency or distribution market knowledge.

Hakim: Faced with increasing demand to stay ahead of the curve for all of the impending changes faced by our industry, transfer agents, whether internal or outsourced, are in the process of transitioning from a traditional cost centre to a more added value service.

The industry faces a raft of complicated tax changes, increasingly complex investment fund structures and distribution models, and a seemingly unstoppable wave of new regulations, all of which are putting increased pressures on transfer agents.

Our role, as the solution provider, is to keep designing and implementing solutions that allow our clients to meet these increased demands cost efficiently while remaining business agile and operationally efficient. In such an environment it is easy to see why the opportunity to utilise the benefits of a comprehensive single transfer agency solution that is capable of servicing the cross-border distribution of multiple product types across multiple jurisdictions with a single investor view is very attractive.

Vayne: Regulation is currently having a substantial effect on the industry. FATCA in particular is extending requirements in terms of client identification, withholding and reporting responsibilities. Further effects are expected with the implementation of AIFMD, with due diligence requirements for custodial investors, as well as the predicted ban on inducements with MiFID (Markets in Financial Instruments Directive) II.

On a more general note, the current economic climate in Europe is causing asset managers to look further afield to gather assets, extending the reach of transfer agents around the globe. They are now providing distribution support in new and exciting markets. At the same time, transfer agents must remain cost effective and implement solutions to manage cost while providing high quality services at low risk, delivering value for money.

Chesterton: One of the key challenges facing the transfer agency industry will be the increasing data-driven demands from regulators, clients and investors. The data theme will be reflected in a continued growing demand for surround technology solutions, such as web front-ends and data warehouses that break down isolated silos and consolidate data from multiple back-office systems.

The increased focus on regulatory change over the last couple of years will continue in 2013, as further regulation is finalised by authorities in the UK, Europe and the US. The challenge to regulators is to achieve an appropriate level of insight so the market becomes more transparent but not less efficient. For TPAs and fund managers, understanding the impact that regulations will have on their business, their investor base and the overhead that is required to support and implement these will continue to be a priority. The cost of keeping systems and processes current with all of this new regulation is also likely to be a driver in the continuing trend of outsourcing systems and administration.

Do you think it is advantageous to outsource transfer agency functions to cheaper labour markets?

Mottion: The first priority for a service provider is to have efficient processes that can deliver high quality of service to clients in compliance with the legal framework of the activity. Only then can we consider the benefits of outsourcing. Transfer agency activity is sensitive from a confidentiality perspective and requires a variety of skills and expertise to deal with investors coming from various regions of the globe. There are areas where some functions of the transfer agent can be outsourced, and this can be achieved with specific attention to quality of services and compliance with the legal framework.

Hakim: The correct answer to this question is the development of a global sourcing business model as the solution for an effective transfer agency. It would be wrong to only factor cheaper labour markets as the basis of where functions are performed.

A comprehensive global sourcing model factors in client facing functions versus back-office functions within the context of global and regional presence, the ability to service clients seamlessly through the various time zones and have a strong 'live' disaster recovery centres. For example, a global sourcing model allows a transfer agent to shift service functions on moment's notice to address local disruptions, whether climate induced or political.

For sure, technology today already supports global sourcing models with web-enabled systems, global imaging and workflow solutions, advanced audio and video communication tools, and growing social media.

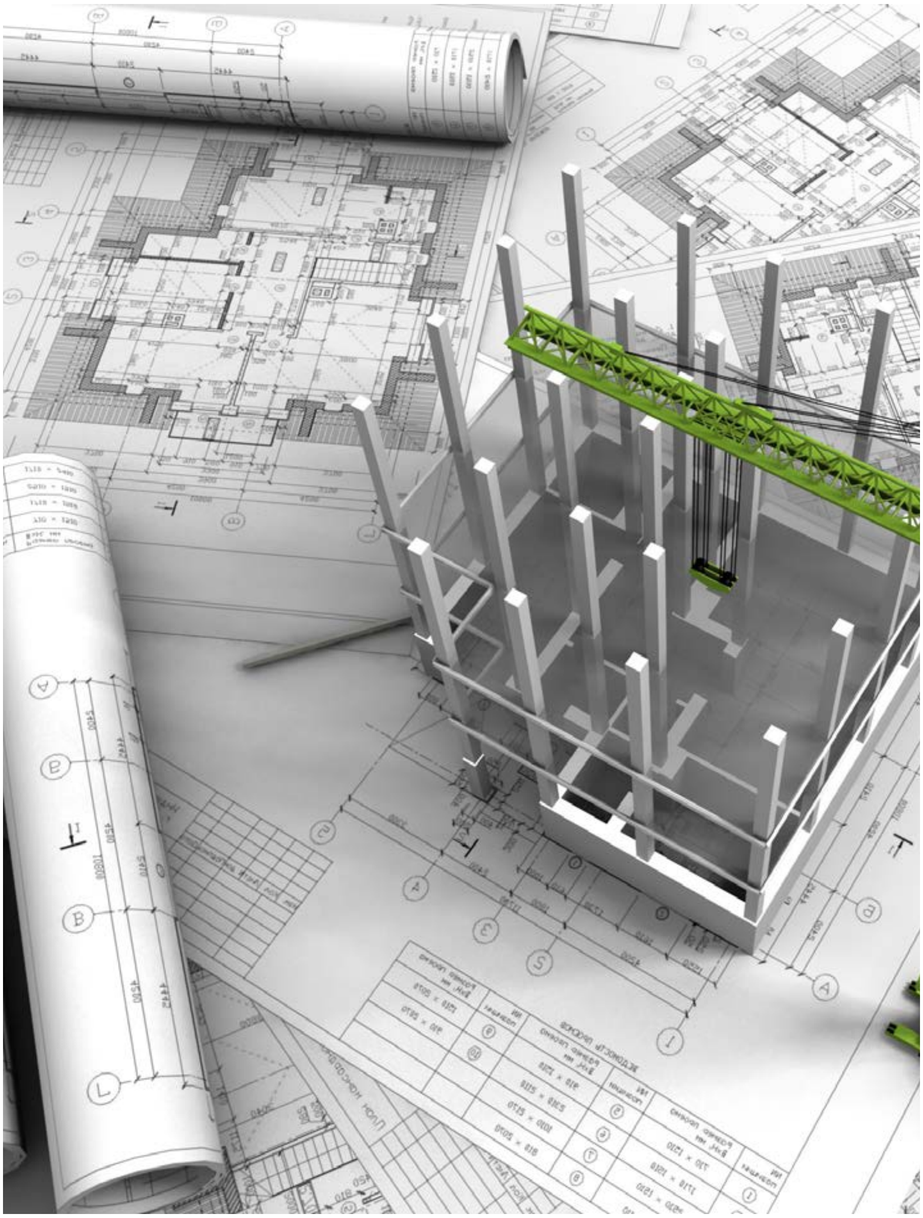
Chesterton: Our clients have used Bravura technology, in particular our integrated image and workflow capability, to assist in successfully moving extensive amounts of their day-to-day transfer agency processing to cheaper 'offshore' data processing centres.

Although the technology to seamlessly move work items and their associated documentation back and forth across continents is an absolute pre-requisite for a successful offshoring exercise it is also vitally important for the administrative framework to be clearly mapped out and understood by all participants. Extensive top-down management focus must be concentrated on getting the organisation to make an essential culture shift to make the offshoring process work.

Benefits to offshoring include time-zone advantages, which ensure service can be provided around the clock. Cost is an incentive to offshore as well, but only certain components are fit for this purpose, such as, non-client facing functions. Price reductions and service improvements can also be realised. It is however important that senior executives are visible to maintain the standards expected and that clients do not see any deterioration of service.

Sreenivasan: Costs are not the only factor in determining whether or not to outsource.

The majority of global transfer agents today have migrated some of their business to countries that offer a large pool of well-educated resources. Initially, this trend started with technology development and support. This has subsequently expanded to include operational processes and call centre activities where permitted by the country where the fund is domiciled and the investor data protection laws are in place and enforced.



The ability to service clients 24/7 and in multiple languages is where global transfer agents add value. Using operational service centres located in different countries enables global transfer agents to achieve this through a combination of back-office functions (like reconciliation and transaction processing) executed from operational service centres locations with 'front office' servicing in the language of the location. Investment in the right technology to connect all parties involved in the overall client delivery plays an important role in the success of a transfer agent's ability to adopt an outsourcing strategy.

Vayne: In the wake of the financial crisis and with current regulatory initiatives, our asset manager clients are under more pressure than ever to keep total expense ratios low. In response, we as transfer agency service providers need to be as cost effective as possible in providing a high quality service. Nonetheless, this cost effectiveness cannot come at the cost of the investor, distributor and asset manager service experience. Outsourcing to cheaper labour markets can only be advantageous if the provider takes a measured view, accounting for relevant legal requirements, language support, local market knowledge, excellent supervision with strong risk management, and proximity to investors and clients. Getting the balance right is the key to a successful location strategy.

Willis: I believe that when done correctly, moving work within one's own organisation to cheaper labour markets helps drive down the overall costs of providing services. I think that the best model in not to outsource again but to move work to a captive entity. This allows a true delivery of common functions, standards and overall control that can be strained if there is another party looking for a more rewards-based set of outcomes rather than a service-based set of outcomes.

The flipside of the coin is that the use of low cost centres has driven down the costs of manual solutions to such a degree that it is often hard to create a price differential that will aid long term strategies. With clients looking to merge their funds located in different domiciles, how will consolidation of this kind affect the industry? We have yet to see a real drive across the industry for true consolidation of fund ranges as allowed under UCITS IV. We are seeing fund managers looking to offer services on a more global basis, but still with multiple domiciled fund ranges. This means that their first view is to look to consolidate providers before the consolidate fund ranges. The requirements to effectively do this including having a partner with a single global system that can deliver the single service that the distributors need, together with the management information the fund managers need to reflect and monitor global distribution. **AST**

No longer a risk

Geoff Harries of DST Global Solutions explains recent trends of the back office—and warns that regulation is damaging the core business of managing money

Trend 1: investment managers increasingly outsourcing back- and middle-office functions to third party administrators

The middle office dynamic is changing. The traditional functions of fund administration and investment accounting have always been a logical path to effectively outsource, and we are seeing a continuing trend towards that, but more and more we're seeing more functions—whether they're performance, risk, compliance, more traditional middle office functions— also moving across into the outsourcing world. One of the other things we're seeing as being a driver towards this is, quite frankly, the cost of regulation. Organisations are being bombarded by a whole swathe of regulations that are hitting them, whether its Solvency II, Dodd Frank, and just by looking at the cost of compliance, the natural reaction is to say, 'actually, this isn't our core business.'

Their core business is the business of managing money and managing clients, not managing regulatory reporting and compliance. Therefore, the asset servicers—the outsourcers—are able to give operational scale, and what we're seeing is that they're responding with very specific services. So a number of asset servicers have brought out specific services for UCITS processing, capital adequacy, Solvency II, Dodd-Frank, and the Alternative Investment Fund Managers Directive (AIFMD). They're bringing out all of these services to basically say to the buy side, "you can effectively outsource your operations to us, and we'll give you that regulatory service as well". People will start to see asset servicers differentiate on their ability to provide regulatory compliance and services around them.

Trend 2: regulation

With the AIFMD, effectively the whole point of it is the economy of scale. Hedge fund administration is principally where this will have the biggest impact on an asset servicer's book of business, and if they're taking hedge fund business on board, then they need to have those capabilities in place. The key point is that from a hedge fund's point of view, whether they are doing it themselves, outsourcing to a prime broker or outsourcing it to a third party administrator, they are just looking for that service provider to give them an economy of scale.

The fact that the prime brokers and the asset servicers do these services on behalf of a number of clients means that they can bring cost down and be competitive, as opposed to a single organisation having to bear that cost internally. That will be a large burden; not just today, but bearing in mind the regulations that we don't know yet, but that are coming down the road. If you wind the clock back and consider that we had the Markets in Financial Instruments Directive (MiFID) and MiFID II, it's just the way that the world is moving. We're seeing organisations having to commit 50 percent, sometimes, of their budget to regulatory compliance. Well, that's not sustainable if your core business is about managing money.

People need to find organisations to support them, and the asset servicers are the best people to do that. Looking at Dodd-Frank, and how the OTC market reform is effectively being analysed by organisations, it is putting a huge burden in terms of the ability to be able to connect to and exchange information, and give transparency with new market infrastructure. From a buy-side perspective, there is no additional value in having to implement solutions and to connect to all of that market infrastructure, because they'll be doing it as a one-off. Whereas if you can make a segmentation of the front-office activities, which stay within the buy-side firm, then everything from a middle office/trade processing/back office, can be outsourced. People are looking at the cost of compliance of OTC market reform and saying, "do I really want to build capabilities within my own shop to be able to become compliant, to be able to connect to the central counterparties, to be able to give the reporting and transparency—or can I give that to somebody else?"

Recently, the UK FSA sent out a note to the CEOs of asset management firms, asking them to say what their contingency plans would be if an outsourcer failed. Asset managers are looking to solve their problems by outsourcing. But when they outsource, the concentration of risk shifts from a whole community of asset managers to a smaller community of asset servicers. So from an oversight perspective, the UK FSA is definitely interested in the contingency plans and if an asset servicer either suffered a major operational outage, or because they tend to be owned by banks, if there was a failure of the bank and the bank went under, then what would be the asset manager's response to find an alternative provider? The consequence of regulation has been to drive the operational concentration of risk into asset servicers.

Trend 3: operational streamlining to reduce cost

Our clients are looking to rationalise costs effectively. We see a number of organisations optimising their investment operations, and to do this we take a look at their current operational landscape, and to evaluate if they are using our capabilities or industry best practice, and if they're not, can we understand why not and what the consequences are.

One of our operational streamlining practices involves decommissioning satellite systems, which can help to reduce cost.

In some cases, we have made capabilities available for things such as unit pricing, reconciliation, derivatives processing, and swaps processing specifically, where clients may not have either deployed them, or may have not taken advantage of the latest capabilities. As a consequence of that, people have often built workarounds outside of their core systems. They end up with an ecosystem of satellite applications sitting around the core product. That's not necessarily because the core product doesn't have the capability, it may have been at the point of time that they needed it and for whatever reason, it was quicker to develop something else outside of the core platform.

Now people are taking a step back and saying actually, the business risk and the total cost to administer the cost of all those satellite systems are too much.

Trend 4: corporate actions becoming less manual

There has been a prevalence of manual corporate actions processing in the industry, but I am seeing a change for the better. We've had a number of conversations with our Australian, European and Asian customers about corporate actions projects that they have queued up to happen in 2013. So that's very exciting for us. There has been a fundamental shift in why people are executing corporate actions projects. Two or three years ago, it was all about risk; the reputational or operational risk of missing a deadline, or incorrectly applying a corporate action.

What we're seeing now in the last 12 months is a shift, and thinking is evolving to how a firm can realise efficiency and cost savings in its corporate actions department. We can achieve upwards of 80 percent levels of automation—and that transfers into a 50 percent cost saving. Corporate actions are near the top agenda for most large asset managers and asset servicers, and they want things done that are operationally streamlined. It is no longer about risk. **AST**

Geoff Harries
Global head of asset servicing
DST Global Solutions

2013

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ITAS 2013 - International Transfer Agency Summit

Location: Luxembourg
Date: 26 February-1 March 2013
www.itas-event.com

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

This really is the key event for catching up with business partners, listening to and debating with some of the leading figures in the fund operations industry, and having great fun at the evening functions. Speakers from all corners of the globe are once again committed to attend and grow the ITAS family—see you in Luxembourg in February!

ALFI Spring Conference

Location: Luxembourg
Date: 19-20 March 2013
www.alfi.lu

The 2013 ALFI Spring Conference at the Centre de Conférences Kirchberg in Luxembourg constitutes one of the biggest events in Europe as regards the investment fund industry.

Last year's event had attracted 955 people coming from 27 different countries. 54 organisations were present with a booth. In a whole, 337 different organisations were present.

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.

The 13th Annual NeMa 2013—Network Management Conference

Location: Warsaw
Date: 18-20 June 2013
www.nema-event.com

400 delegates registered last year. Brokers, Global Custodians, Regional & Local Agent Banks, Regulators, Exchanges, CSDs - almost all those who matter in the industry are on the agenda: but that is just a part of the story. The rest of the story is you. So come and join us and be part of the ever-growing NeMa Family.

Industry appointments

A BNY Mellon spokesperson has confirmed that **David Aldrich** left the firm after nine years at the end of 2012 to pursue other opportunities.

Prior to his departure, Aldrich was head of global client management for the UK and Ireland. Previously, he was European head of BNY Mellon's alternative investment services and broker-dealer services businesses, in addition to financial institutions Client Management across Europe.

Northern Trust has named **Marc Mallett** manager of investment operations outsourcing product in the Americas.

Mallett will work closely with Les Beale, manager of investment operations outsourcing product in EMEA and Asia-Pacific.

He has been global head of client implementations for investment operations outsourcing since joining Northern Trust in 2010. Prior to joining the firm, Mallett was a vice president of technology at Fidelity Investments and COO of Citisoft, a consulting firm focused on the investment management outsourcing market.

"Investment operations outsourcing is appealing to managers who are focused on reducing costs and growing revenue while meeting demands for more and improved data and dealing with increasingly complex investments and regulations," said Paul Fahey, head of product and strategy for global fund services at Northern Trust. "Mallett brings an in-depth knowledge of our current product offering, and a broad market perspective from his years of experience in the investment management industry."

Maples Fiduciary Services has expanded its investment funds team in the Cayman Islands with the addition of **Abali Hoilett** as senior vice president and fund director.

In his new position, Hoilett will serve as an independent director on a limited number of hedge funds and private equity funds.

Maples Fiduciary Services's investment funds team has provided independent directors to investment funds since it was established in 2003. The investment funds team now comprises 25 professional directors resident in the Cayman Islands, Delaware, Dublin, Dubai and Luxembourg, serving a broad range of investment fund structures.

"We are delighted to have Hoilett join our team. His experience, impressive academic achievements and independent perspective are the qualities we look for in our directors," said Peter Huber, global co-head of fiduciary services at Maples Fiduciary Services.

Fund administrator Opus Fund Services has opened a new office in New York to be headed by the new director of sales and business development, **Jorge Hendrickson**.

Hendrickson previously held the role of vice president of sales and business development in the Concept Capital Markets prime services group.

Stephen Giannone, president of Opus Fund Services, said: "Our New York office represents a natural expansion allowing Opus to deliver our Opus ONE offering directly to the local fund community."

The California Public Employees' Retirement System (CalPERS) has recruited **Ron Lind** to its board of administration.

Lind, who is the president of United Food & Commercial Workers Union (UFCW), was appointed by the Speaker of the Assembly and Senate Rules Committee to serve on the CalPERS board as the public representative. He replaces Lou Moret, who left the CalPERS board in December 2011.

Two of Confluence's key executives—**James Smith** and **Frederick Winston**—have been appointed to the roles of COO and CFO, respectively.

Winston joined Confluence's San Francisco office in October of 2011 as a vice president of business development.

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Prior to joining Confluence, Smith was a senior vice president and division COO with Fiserv, and he also served as an operations executive at both J.P. Morgan Chase and PricewaterhouseCoopers.

Winston previously worked at US Bancorp Piper Jaffray Ventures and also held senior-level roles at Broncus Technologies. **AST**

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