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BNP Paribas achieves a European first

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BNP Paribas Securities Services has launched its new comprehensive class action solution within its wider global custody services—a first for a European custodian.

"In the current economic context, buy-side institutions and banks are expected to recur to a more systematic use of class action as a way to recoup any cash amount they are entitled to," said a statement from the bank. "In 2012, class actions have allowed damaged parties (lead plaintiffs) to recoup a total of $4.45 billion, an amount that has almost doubled since 2011."

"As of today, 95 percent of the class actions worldwide are still triggered in the US and Canada, yet this market practice is progressively expanding in a number of European markets, as well as in Asia."

Philippe Kerdoncuff, head of global custody product at BNP Paribas Securities Services, said in an email interview that the solution enriches the bank's global custody offering and further validates the ambitions set out in the US, where the bank started its local custody operations in October last year.

"We are proud to be the first European-based custodian to offer this solution to our clients who now have an additional service to protect the interests of their underlying clients, especially as we see the demand for class actions continue to grow."

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ASTINBRIEF

Citi revamps collateral custody accounts

Citi has expanded its Citi OpenInvestor suite of investment services to include segregated collateral custody accounts.

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First Names Group adds one more to the pot

First Names Group is to acquire the international trust business Basel Group, subject to regulatory approval.

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BNP Paribas achieves a European first

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The custodian will help clients to overcome economic losses that are incurred as a result of fraudulent stock manipulation or other violations of securities laws.

It will notify them of a new class action initiated to the filing of the demand, and automatically credit any potential recovered indemnity on the client's account.

Kerdoncuff said: "[We] will offer a flexible but comprehensive solution including notification via SWIFT messages and/or via our web portal Neolink of all new class actions, access to a dedicated web tool allowing our clients to retrieve detailed information on class actions, and automatic extraction of historical client's data (trades, positions, etc)."

"We will also be offering preparation of the filing process, calculation of the estimated recovery cash amount, full interaction with the class actions administrators, payment of recovered money, and ad hoc reporting."

He added that clients will be able to select the notification offer only and decide to handle the filing process on their own, or the premium offer including all of the above features.

"This is positive news at a time when securities class actions are starting to become a truly global phenomenon," said Stephen Everard, CEO of GOAL Group, a class action services provider.

"Recent developments across various geographies have reinforced the need for global firms to monitor potential securities class action litigation venues around the world. The securities class action scene outside of the US is developing fast and our forecast predicts that settlements outside of the US will rise to $8.3 billion per year by 2020."

The launch, he added, is a wakeup call for fiduciaries that have a responsibility to ensure that their clients participate in securities class actions that may recoup some of their investment losses.

"There are a number of service providers that can minimise the complexity and cost of this activity across many international legislatures. BNP Paribas has set the benchmark and other custodians will surely follow suit."

Citi revamps collateral custody accounts

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The new accounts are hoped to help clients better mitigate counterparty risk, provide asset safety, and improve collateral efficiency, and adds to Citi's existing agency collateral management service, OpenCollateral.

The new service also helps clients to support new requirements under Dodd-Frank and European Market Infrastructure Regulation (EMIR) rules.

"The possibility that every OTC relationship may need collateral accounts under new regulations has driven client demand for more efficient solutions," said Chandresh Iyer, managing director of investor services at Citi. "These services draw upon our deep understanding of relevant business issues to streamline the technical and operational challenges of managing all types of collateral assets across multiple counterparties."

For triparty account control arrangements (ACA), Citi will act as an intermediary between the pledgor and the secured party, holding pledged collateral in a segregated custody account. Within the terms of each ACA, Citi's new solutions allow pledgors to instruct transactions on the collateral account and secured parties to monitor pledged collateral positions in a highly automated manner.

Citi's suite of new collateral custody solutions also offers clients features for automated substitution control for rapidly changing collateral portfolios, collateral monitoring, and margin manager cash reinvestment.

First Names Group adds one more to the pot

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The acquisition of Basel will significantly expand the group's existing offering in Jersey and Switzerland and will also establish its presence in Luxembourg. This is the second acquisition this year, after the purchase of independent administrator Moore Management, which has offices in Tokyo, Bermuda, Isle of Man and Jersey.

Post acquisition, First Names Group will have in excess of 400 staff across nine strategic locations. Basel will be absorbed into the First Names Group and will begin operating under the new brand towards the end of the year.

First Names Group has recently emerged from a management buy out and major rebrand to establish itself as a leading independent fiduciary and corporate services provider.

Basel was established in 1996, has offices in Jersey, Switzerland and Luxembourg with associates in Monaco and Mauritius and provides a range of fiduciary solutions to a global client base. It employs 100 staff across these locations.

Morgan Jubb, group chief financial and operating officer at First Names Group, said: "This is the second acquisition since our management buy-out in July 2012. As a business we have made a commitment to create a flexible, multi-jurisdictional, fully aligned people-focused culture that will ultimately drive superior client service."

Clearstream sees €11.5 trillion assets under custody

In March 2013, the value of assets under custody held on behalf of customers registered an increase of four percent to €11.5 trillion (compared to €11.1 trillion in March 2012).

Securities held under custody in Clearstream's international business increased four percent from €5.9 trillion in March 2012 to €6.2 trillion in March 2013, and domestic German securities held rose four percent from €5.2 trillion in March 2012 to €5.4 trillion in March 2013.

In March 2013, 3.4 million international settlement transactions were processed, a 7 percent decrease over March 2012 (3.6 million). Of all international transactions, 83 percent were OTC transactions and 17 percent were registered as exchange transactions.

On the German domestic market, settlement transactions reached 6.6 million, 8 percent less than in March 2012 (7.2 million). Of these transactions, 65 percent were stock exchange transactions and 35 percent OTC transactions.

For Global Securities Financing (GSF) services, the monthly average outstanding volume was €576.2 billion. The combined services, which include triparty repo, securities lending and collateral management, collectively experienced a rise of 1 percent over March 2012, to €571.8 billion.

But the monthly average outstanding year-to-date, is, at €562.8 billion, four percent below the same period last year.

Markit nabs DTCC's stake in MarkitSERV

Financial information services firm Markit has acquired the ownership stake in MarkitSERV held by the Depository Trust and Clearing Corporation (DTCC).

Markit and DTCC founded MarkitSERV in 2009 as a joint venture that combined the firms' electronic trade processing services for OTC derivatives.

There will be no changes to the services provided by MarkitSERV to its more than 2,500 customers in the OTC derivatives industry. MarkitSERV will remain a separate entity, currently regulated by the Financial Conduct Authority in the UK. Jeff Gooch will continue to be CEO of MarkitSERV and global head of processing at Markit.

CYMBA Technologies launches new compliance solution

CYMBA Technologies has singled out its pre and post trade compliance engine and created CYMBA Centurion, a stand-alone compliance solution product.

CYMBA Centurion will provide support for different rule types, asset classes and a customisable incident breach management workflow. It also integrates with other third party service providers such as fund administrators to handle the investment managers start of day position feed, reconciliation and post trade requirements.

Karim Ali, co-founder and partner at CYMBA, said: "We have been providing pre and post trade compliance functionality to our clients via our Athena IMS platform for a number of years now and felt the timing was right to carve out and market our comprehensive compliance solution as a stand-alone product."

"We believe the functionality, technology, openness and pricing model of CYMBA Centurion will be welcomed in the market, by both large and small investment firms."

Bottom line:

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Asia-Pacific hedge funds beat out European counterparts

Preqin's latest report revealed that hedge funds focusing on the Asia-Pacific region posted significant returns in January and February 2013, posting 3.97 percent and 2.18 percent in each month respectively.

This is in comparison to North American and European hedge funds, which posted only 0.61 percent and 1.24 percent in February respectively.

Asia-Pacific hedge funds outperformed other regions over the last 12 months, returning 10.71 percent compared to 9.37 percent for North America-focused hedge funds and 6.88 percent for Europe-focused hedge funds.

Performance for hedge funds across all strategies and regions declined from 2.47 percent in January to 0.39 percent in February.

Emerging markets-focused funds posted negative returns in February of -0.08 percent. Funds of hedge funds across all strategies and regions posted only 0.05 percent in February, after a strong January with returns of 2.10 percent.

79 percent of investors also stated that they believed that hedge fund performance in 2013 will beat that of 2012.

Moscow Exchange see negative equity but strong FX

Strong revenue growth and higher volumes on FX and money markets were some of the highlights of the Moscow Exchange's full-year 2012 results.

CEO Alexander Afanasiev said that last year was a break-out year for the exchange. "Following the merger in 2011, we completed the integration of the MICEX and RTS exchange groups in 2012. We introduced major changes to the financial markets infrastructure, including the centralisation of clearing and the launch of a central securities depository. In 2012, we also opened up the FX market for trading by all categories of participants, introduced a repository and launched the new Spectra IT platform."

"Significantly, in 2012 we completed much of the groundwork for our successful initial public offering, which was held on our own trading platform in February 2013. Despite challenging markets, the IPO raised RUB 15 billion and demonstrated to other Russian issuers that the local market is an attractive venue for sizeable capital raisings."

The exchange also rolled out the first stage of the transition to T+2 settlement for equities and bonds, and revealed that it was working on listing reform and the centralised clearing of OTC derivatives.

Trading volumes across all markets totaling RUB 369.7 trillion, a 24 percent increase versus combined MICEX and RTS volumes in 2011, and revenues were up 27 percent year-on-year, to RUB 21.55 billion.

FX, money market and derivative trading volumes were higher as a result of organic growth and new products and innovations, while global factors negatively impacted equities volumes.

Pension plan sponsors see funding levels bounce back

The aggregate deficit in pension plans sponsored by S&P 1500 companies improved significantly in the Q1 2013, decreasing by $185 billion from the record year-end 2012 deficit, and landing at $372 billion as of the end of March 2013, according to Mercer.

March saw deficits improving by $107 billion in the month alone. The funded ratio (assets divided by liabilities) improved to 82 percent at the end of March compared to 77 percent at the end of February and 74 percent at 31 December 2012.

The significant improvement of the past month was driven by positive equity growth during the month which gained 3.75 percent, driving the S&P to record highs by the end of March. The high quality corporate bond rates which affect the liabilities increased slightly.

In addition to investment performance, assets have also grown due to contributions. During the fiscal year ending in 2012, S&P 1500 plan sponsors contributed more than $80 billion to their plans, which is $20 billion more than they had expected to at this time last year despite the enactment of MAP-21, which provided sponsors with the opportunity to lower contributions from prior requirements.

"Certainly the funded status improvement we saw in the first quarter is a great outcome for most plan sponsors" said Jonathan Barry, a partner in Mercer's retirement business. "However, there is still some heavy lifting for plan sponsors to do to get to a fully funded position. Also, we saw a similar pattern in 2011 and 2012, where funded status improved significantly in the first quarter, only to see those gains reverse themselves as the year went on."

"We saw many glidepath clients that measure funded status daily execute de-risking triggers in the first quarter" said Richard McEvoy, a partner in Mercer's investment business. "These nimble changes to lower risk positions highlight the benefit of having a pre-agreed plan with a supporting execution process in place."

Moscow Exchange renovates Russian security settlement

Moscow Exchange has begun the settlement of securities on the T+2 basis, one amongst many recent reforms which are hoping to make trading on Russia's main exchange more attractive to both international and Russian market participants.

The renovation now means that trading members of the exchange require only partial collateral to execute trades, and full settlement and delivery of securities will take place two days after the trade date.

The move to T+2 for 1780 securities listed will be executed in stages. From March to June this year, settlement in T+2 will be available for the 15 most liquid stocks and all issues of government bonds. They will also continue to be available on a T+0 basis.

Beginning 1 July, the exchange will extend the list of T+2 eligible securities, and settlement for these names in T+0 will end. From the beginning of 2014 all securities listed on the Moscow Exchange's securities market will be settled on the T+2 basis.

"The system of pre-payment for trades played a positive role as the Russian securities market was getting off the ground" said Alexander Afanasiev, CEO of the Moscow Exchange.

"Trading in Russia is now integrated into the global financial markets and our issuers expect the latest in settlement and risk management tools. The globally recognised T+ settlement model lowers costs for market participants, increases efficiency of deployed capital and will lead to higher trading volumes. This system is already in place on Moscow Exchange's foreign exchange market; now has come the time for it to be implemented on the equities market."

The reform of the settlement cycle is part of a larger programme to upgrade Russia's capital markets and ensure that Moscow is the primary platform for trading across Russian asset classes. Beginning with the merging of Russia's two main exchanges, creating the Moscow Exchange, since then Russia has established a central securities depository, opened up the bond market to Euroclear and Clearstream, and created a central counterparty for clearing across all markets.

Cayman moves forward with FATCA

The Cayman Islands government is planning to adopt a model one intergovernmental agreement (IGA) in response to the US Foreign Account Tax Compliance Act (FATCA).

A similar arrangement will also take place for further automatic exchange of information with the UK.

The model one IGA is an agreement between governments for the exchange of information. The most recent agreement will sit alongside the Cayman Islands's 31 other tax information agreements, including its most recent signing with Brazil.

Rob Leadbetter, chairman of the Insurance Managers Association of Cayman, said: This is another demonstration of Cayman leading by example in international regulatory initiatives. Cayman has had transparency gateways with tax authorities around the world for decades and so this is just another rung in that ladder. It will ensure that Cayman remains competitive as a well-respected international financial services centre."

Rolston Anglin, minister of finance of the Cayman Islands government, said in the legislative assembly on 15 March: "This decision to adopt the model 1 IGA will fortify our good standing in the global community and continue to build on the solid foundation we already have in place with our existing agreements. We will continue to take our place in the international arena and ensure that we maintain our positive and informed engagement in the rapidly developing environment of international tax cooperation."

Ukrainian AUSD rebrands as Clearing Center

In a recent meeting, All-Ukrainian Securities Depository (AUSD) shareholders decided on its name change to Clearing Center on servicing of agreements on financial markets.

The shareholders have also approved change of the AUSD type from private to public joint stock company and also confirmed corresponding amendments to the AUSD internal documents and articles of association.

Chapman's Eye on the market

The power of positive thinking

Two recent, and very different events, but both with a similar underlying theme, form the basis of my thoughts for my column in this issue; a recent trip to the US and the death of Margaret Thatcher.

While in the US—and watch this space for some exciting HornbyChapman developments there later this year—I was struck by the prevailing feeling of positivity in the air; from the news broadcasts and other media formats to the people I spoke with, there is a collective sense that a corner has been turned economically, and while good times might not be on the immediate horizon, the worst is behind them.

This optimism and confidence is attractive and, to some degree, can be self-fulfilling in that it enhances the ability to overcome setbacks and to achieve goals. This is equally true when a candidate is in an interview situation; when he or she is confident this comes across well to the interviewer and invariably casts the interviewee in a positive light.

Likewise, like her or loathe her, even Margaret Thatcher's staunchest critics acknowledge that she was a conviction politician in that she 'said what she believed in and believed in what she said'. This demonstrated strong leadership and gave those people who reported into her a consistent and reliable platform upon which to make decisions—something that managers in our industry should be conscious of. Again, her confidence was 'attractive' with a small 'a' and that flowed down to her subordinates.

In these challenging times, I'd suggest that if we all try to minimise the prevailing sense of negativity, accept that however bad the outlook appears, it will get better, then we might—just might—start to turn a corner and begin to look ahead with confidence with subsequent positive results.

Paul Chapman, managing director, HornbyChapman Ltd

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Knight Capital Europe has selected **BNP Paribas Securities Services** to provide it with clearing and custody services on a pan-European scale.

Knight Capital Group provides access to the capital markets across multiple asset classes to a broad network of clients, including buy- and sell-side firms and corporate issuers.

The firm engages in agency-based trading and market making across global equities, fixed income, foreign exchange, options and futures. Knight is a source of liquidity in global equities and provides services to both retail and institutional clients in the UK and across Europe.

BNP Paribas will provide clearing, settlement, custody, stock lending and financing for the European equity business across Europe and North Africa.

Albert Maasland, head of international at Knight Capital Europe, said: "We chose to work with BNP Paribas because we believe our teams share a passion for high quality client service and can work together in a real partnership."

The bank's top-rated proprietary network in our main markets, real time risk modelling in liquidity management, and overall transparency were key factors in the decision process. Entering into a partnership with BNP Paribas represents another step in growing our European execution business."

BNY Mellon has been named as custodian for Howard University's $1.1 billion endowment and pension plan. The bank will provide custody, accounting, benefit disbursements, and global risk solutions. BNY Mellon will also serve as trustee for Howard University's pension plan.

"We needed a business partner with a strong track-record of working with endowments and academic administration," said Robert Tarola, senior vice president for administration, chief financial officer and treasurer at Howard University. "Both from a human and technology resource perspective, BNY Mellon can assist us in administering these plans for the benefit of Howard, its faculty and its staff."

"We're proud to win the trust and confidence of such a prominent American institution as Howard University," said Samir Pandiri, global head of asset servicing at BNY Mellon. "With this appointment, we'll bring a range of investment services and expertise in support of the university's team, its mission, employees and retirees."

BNY Mellon is the custodian for 46 percent of the top 50 largest academic endowments in the US, comprising more than $113 billion in plan assets.

CACEIS has become the new asset servicing provider for the French insurance group MACSF, following a tender process run by the firm in conjunction with the consultancy firm, Pilcer.

The MACSF group took the decision to entrust CACEIS with custody account holding for its portfolios, which represent €20 billion in assets, as well as data provision relative to financial reporting (performance measurement, fixed income attribution, VaR, etc) and enhanced regulatory reporting as required by the Solvency II directive.

CACEIS has designed a front-to-back office operational model for the MACSF group, which captures, enhances and standardises data in order to feed accounting and repository systems. The assets were transferred in February 2013.

Marcel Kahn, CEO of the MACSF group, said: "I particularly appreciated the impressive efforts made by the CACEIS teams to meet our needs in full. CACEIS's interface solutions between our front office, our valuation tool and the reporting platform were decisive factors for us. We will be able to analyse our portfolios in detail, in compliance with new regulatory requirements."

Quilter has selected **Cofunds** as its custodian, in a mandate that will see an initial £3 billion of funds moved onto the platform.

Cofunds will provide Quilter with a full fund lifecycle, dealing with custody, settlement and trail management.

Quilter offers bespoke investment management for private clients, charities and intermediaries. It merged with Cheviot Asset Management in January 2013; Cheviot already has Cofunds as its custodian.

Paul Barnacle, head of operations at Quilter and Cheviot, said: "As the leading player in this space, we are confident Cofunds' robust framework and expertise will help drive even greater efficiency within the business."

He added that one of the key reasons for the appointment was Cofunds' "unrivalled" fund coverage across the UK market.

Here come the funds

Transfer agents are on the hunt for robust IT solutions for real time data distribution, according to Koger COO Ras Sipko. AST finds out more

GEORGINA LAVERS REPORTS

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

The major differentiator between transfer agency services offered in Europe, Asia and America would be the fund types themselves serviced, and the regulatory requirements arising within the differing jurisdictions, largely in response to the global economic crisis. For example, with the growth in legislation such as the Alternative Investment Fund Managers Directive (AIFMD), as well as the introduction of new fund structures such as UCITS and qualified investor funds, European-domiciled funds require very specific transfer agency services in comparison to their Asian and American counterparts.

The transfer agency services provided in Europe and America are based on more established mature markets in relation to Asia, which is relatively new to the transfer agency market, so its service needs will vary greatly. But the scope of services offered will generally be consistent across all jurisdictions. Typically, these services would include: share register, document management, anti-money laundering and compliance, and investor relations, just to name a few.

Finally, we must also consider the market trends in terms of the fund types that are common to different locales. For example, Dublin has long been synonymous with hedge and UCITS funds, as is Luxembourg with real estate and private equity funds, whereas the US market has an established presence in the mutual, hedge and private equity fund markets. Asia has had a preference for UCITS funds. Therefore, the transfer agency services offered will all vary according to nature of the market being served, whether it is Europe, Asia or America.

What are the challenges to increasing automation?

Automation has come a long way over the past decade, and there is still quite a bit of difference in the levels of automation between the institutional and the retail side. One particular challenge on both sides is having unifying standards for processing orders. However, there are still many different areas where automation can increase substantially. Many think of automation as being limited to STP of orders. The alternative investment industry will need to take further steps toward automating communications between custodian banks, administrators and transfer agents with defined standards.

What are the latest developments to affect transfer agency?

The latest developments are undoubtedly all of the regulatory requirements that have been put in place. Post 2008, there have been significant developments that have not only affected the transfer agency industry but the entire global financial services sector as a whole. We have seen more regulatory change in the last five years than we have seen in the previous 20 years combined. We have seen considerable regulatory change in almost all jurisdictions around the world. In addition to this, we have seen investors demanding greater controls, transparency and liquidity from the alternative investments funds industry.

As fund managers reengineer their product offerings to appeal to investor demand, they will look to fund administrators to add significant value to the transfer agency process. Transfer agency departments will look for robust IT solutions that can minimise risk, enhance automation, and offer greater controls and flexibility for real time data distribution.

From a transfer agency perspective, the current regulatory changes pose the greatest challenge of all with most fund administrators already investing considerable sums of money in resourcing and IT infrastructure to meet these demands. Altering current transfer agency processes while simultaneously upgrading IT infrastructure to meet these regulatory demands can be a significant challenge, especially with ever-shortening deadlines for compliance. Yet, these challenges can also create opportunities for innovative quick-to-market fund administrators that are looking to gain a reputation for having niche capabilities.

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

There are both pros and cons to outsourcing. Certainly cost saving is one of the biggest advantages to outsourcing to places like India or the Philippines. Over the past few years, competing on costs has become even more critical for all administrators, even those that operate with niche capabilities. It has certainly become a popular approach among major transfer agents in recent years to outsource certain transfer agency functions to lower cost centres.

The results have shown varying levels of success. Largely it is dependent on a standardised approach being developed by the administrator and support functions being in place in both locations. Once implemented successfully, it can certainly drive down labour costs and create opportunities for more value-added functions to be carried out in the higher-cost labour centres. There is still, however, a lot to be said about lowering cost through automation rather than outsourcing to lower cost jurisdictions.

With clients looking to merge their funds located in different domiciles, how will consolidation of this kind affect the industry?

I think this will be most evident in jurisdictions that attract UCITS funds. Setting up a fund group in Dublin or Luxembourg can often make it easier to market to 20 different countries than it would be to set up each fund as, for example, a French- or an Italian-domiciled fund. This approach can often enable fund managers to increase their AUM more easily.

The main knock-on effect would be killing off or merging less profitable home-domiciled funds. Due to this merger process, AUA will increase per jurisdiction, allowing funds to drive down fund administration costs and improve the quality and standardisation of data distribution to their investors.

Is the move towards European harmonisation having an effect on the sector?

European harmonisation is being driven by legislation such as AIFMD, the goal of which is to provide transparency in relation to the activities of alternative investment funds managers. This is having both a positive and a negative impact on the industry. For investors, it gives another layer of security as they have a clearer picture of what is being done with their investment and therefore have an extra level of confidence.

However, there is likely to be a reduction in the number of smaller fund managers and non-EU managers that will see the new directive as overly complicated and burdensome, while in turn, the bigger fund managers will see it as an opportunity to increase their market share as they will have the resources to meet the new requirements. AST

A better brand

AST talks to Darren Stainrod of the Cayman Islands Fund Administrators Association about directorships and how AIFMD will affect the islands

GEORGINA LAVERS REPORTS

What is your opinion on the attention that is being paid to directorships in Cayman?

There has been a lot of attention to this subject over the past few years. This led to the consultation paper that was issued by the Cayman Islands Monetary Authority (CIMA) to a wide cross-section of the industry in January 2013 relating to the potential regulation of professional directors on the boards of regulated funds.

Most of the people providing these services from the Cayman Islands are seasoned professionals with sufficient experience to provide adequate supervision of the funds that they provide services to. As such, we don't feel that a significant increase in regulation is necessarily needed to resolve this situation as investors can always ask about this prior to placing any funds with a manager. In this way, the industry can, and is, regulating itself by moving to directors with more manageable portfolios, establishing boards of entirely unrelated independent directors and by providing increased transparency regarding the nature and extent of individual appointments.

Are you seeing any rise in non-traditional Caribbean domiciles, and how will Cayman continue to lead the pack?

There are a growing number of domiciles that compete with Cayman fund products both within the Caribbean and elsewhere. Some European managers that used Cayman in the past may now use a Dublin qualified investment fund or Luxembourg specialised investment fund instead, either for proximity or perhaps to position themselves for the Alternative Investment Fund Managers Directive (AIFMD).

However, we have not seen any other locations making significant inroads to the long standing dominance of Cayman, perhaps in the same way that the Cayman brewery makes a very drinkable beer but isn't yet threatening the Budweiser brand. That said, there are always opportunities to innovate different products for slightly different markets such as the Bahamian SMART funds that are aimed at the growing Brazilian family office fund market, which have been reasonably successful.

How will AIFMD affect Cayman?

The government of the Cayman Islands has been in close dialogue with the European Securities and Markets Authority (ESMA) as well as several key EU member states in relation to AIFMD ever since it was first proposed. The aim has been to ensure that Cayman is accepted as a third country once these are permitted under the regulations in 2015 and that there is no negative impact on Cayman products in the meantime. Recent legislative amendments authorise CIMA to enter into intergovernmental cooperation agreements in line with the template memorandum of understanding that was envisaged by ESMA. The amendments empower the monetary authority to use the ESMA model to complete any additional cooperation agreements that may be required with EU member states.

Cayman also meets the other major preliminary requirement of not being on the Financial Action Task Force (FATF) list of non-cooperative jurisdictions. Therefore, Cayman is doing everything it can to pave the way for AIFMD compliance to ensure that Cayman-domiciled funds can continue to be marketed in Europe.

Are you seeing any consolidation of administrators on the islands—and is this a positive or a negative?

There are only a few medium-to-small-sized administrators that have their only office in Cayman and so the consolidation of the Cayman industry largely reflects the consolidations in the global administration industry, of which there have been quite a few in recent years.

Consolidation in general can be beneficial by providing combined resources to enhance platforms and reduce costs, which can be passed onto clients or fill gaps in capability. The argument that it reduces choice holds little water when there are more than 70 administrators and 10 with more than $100 billion in AUA (excluding fund of funds). This still provides significantly more choice of top-tier players than in the audit industry, for example. However, client losses or negative feedback following consolidation seems to suggest that there have been as many unhappy marriages in the industry as successful ones.

Migrating or integrating platforms and cultures, key staff losses and overly ambitious attempts to cut costs by outsourcing too much of the value chain to low cost locations are some of the negatives. The issue for Cayman's fund administration industry has not been so much the amount of consolidation as it has been the migration to other locations mainly for cost reasons, which have been made possible by technology advances that render many processes location agnostic.

However, this flexibility of the Cayman product is one of its strengths and there are still benefits to operating here in terms of attracting talented professionals from around the world. This enables a consistently high level of personalised service to be provided, which is critical in servicing certain products and strategies. By combining this excellent service with global platforms that use lower cost locations to operate many of the processes seamlessly to the client, this can still be done at a competitive price. AST

Darren Stainrod
Chairman
Cayman Islands Fund Administrators Association

Industry appointments

Jervis Smith is Citi's new regional head of client sales management for the financial institutions segment in Asia Pacific for securities and fund services.

Jervis will be responsible for managing sales and client coverage teams across the the securities and fund services business in 17 markets in Asia Pacific, reporting to David Russell, regional head of Asia Pacific for securities and fund services. He will also be a member of the Citi Transaction Services Asia Pacific management team.

"Smith brings with him almost 30 years of banking experience and a deep knowledge of the securities and fund services business, having served most recently as the global client executive head for our SFS business based in London. Under [his] leadership, we will be looking to expand our securities and fund services across Asia Pacific and enhance our ability to create solutions that holistically address client needs across our full range of capabilities and solutions," said David Russell.

Smith, who relocates from London, joined Citi in 1994 and has held a number of sales and relationship management roles for financial institutions at Citi in London and New York. Prior to joining Citi, he served as executive director of the Financial and General Bank, based in London.

Maples Fund Services has hired **Jason Brandt** as regional head of fund services for the Americas, to lead the firm's growing presence in the region. Brandt has 18 years of experience in the financial services sector, focused primarily in hedge funds and private equity.

His efforts will focus on servicing the growing North American business through expansion of administration, middle-office and risk services to investment managers, institutional investors and family offices. He will have responsibility over mandates serviced from North America, overseeing client relationship and operations teams, and will be based in the firm's Montreal office.

Previously, Brandt worked for Deutsche Bank Alternative Fund Services in London, where he was responsible for client relationships globally, as well as growing the EMEA and Asia business. Prior to Deutsche Bank, he served as managing director and chief operating officer of Hedgeworks, which was acquired by Deutsche Bank in 2008.

Greg Medcraft, chair of the Australian Securities and Investments Commission, took over as chair of the International Organization of Securities Commissions (IOSCO) board at its Sydney meeting.

He succeeds Masamichi Kono of the Japan FSA. The board also elected Ontario Securities Commission chairman **Howard Wetston** as IOSCO vice chair following the retirement of Ethiopis Tafara.

The board meeting underscored IOSCO's commitment to improving engagement with industry and the broader IOSCO membership, and was preceded by a round table attended by the board and seven financial services executives from Australia, Asia, Europe and North America to discuss emerging risks.

Some potential risks discussed included the global imbalances caused by capital flows, weaknesses in financial market infrastructure, high-frequency trading, market fragmentation, and cyber-attacks.

Board members expressed concern over the potential risks of the current low interest rate environment. Members generally agreed the search for yield could fuel the creation of new asset bubbles, particularly in emerging markets with largely undiversified economies. They noted that a sudden upward spike in interest rates could damage global economic growth.

The board also approved and welcomed the Union of Arab Securities Authorities, the Johannesburg and Nigeria Stock Exchanges, and The International Swaps and Derivatives Association (ISDA) as affiliate members of IOSCO.

Omgeo has appointed **Edward Hazel** of Goldman Sachs, **Richard Taggart** of State Street and **Susan Cosgrove** of The Depository Trust & Clearing Corporation (DTCC) to its board of managers.

Hazel is the global co-head of securities operations for Goldman Sachs. He is a member of the firm's operations operating and risk committees. Since joining Goldman Sachs in 1979, Hazel has held a number of leadership roles in the operations division and was named managing director in 2001.

Taggart is a senior vice president at State Street Global Services. He joined State Street in March 2012 to head the investment manager services business in North America.

Cosgrove is the managing director and general manager of settlement and asset services at DTCC, responsible for all depository businesses including settlement, underwriting, custody, securities processing, corporate action processing, and tax and issuer services.

In addition to the newly added members, John Devine, formerly of Threadneedle Asset Management, Peter Johnston of Goldman Sachs, and Donald Donahue, formerly of DTCC, have stepped down as board members. **AST**

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