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Citi grabs ING's CEE custody business

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Citi Securities and Fund Services has seized an opportunity in the Central and Eastern European markets with its purchase of ING's custody and securities services business.

ING is a premier provider of custody services in the CEE. The clients in the seven markets that Citi will acquire collectively hold €110 billion in assets under custody.

The Dutch bank will continue to offer custody services in Poland, and said that the assets lost to the sale should not have a material impact on its results.

The transfer is in line with its "strategic objective of sharpening the focus of the bank", and is a direct result of the strategic review of ING Commercial Banking's business portfolio presented in November 2012.

ING Bank will continue to offer commercial banking products in 10 countries in the CEE, including lending services, transaction services, corporate finance and financial markets products to its local and international clients.

The transaction includes ING's local custody and securities services businesses in Bulgaria, the Czech Republic, Hungary, Romania, Russia, Slovakia and Ukraine.

Once implemented, the addition of Bulgaria will extend Citi's custody network coverage to more than 95 markets and its proprietary custody network will be expanded to 62 markets.

"With this acquisition, Citi has further strengthened its franchise in six important markets and has added Bulgaria to its proprietary network.

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ASTINBRIEF

Standard Chartered pushes Africa growth

Standard Chartered is to buy the South African custody and trustee business of Absa Bank.

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BNP Paribas uses SWIFT to strengthen collateral walls

BNP Paribas Securities Services is now working with SWIFT to ramp up its collateral protection solutions for corporate, buy-side and sell-side clients.

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Citi grabs ING's CEE custody business

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"We are now even better positioned to serve local and global investors, intermediaries and issuers with the best access, insight and expertise in the region," said Sanjiv Sawhney, EMEA head of securities and fund services at Citi. "We look forward to delivering the same level of exceptional service that ING has given its clients in the CEE region."

"ING was one of the first agents to identify the region's rich opportunities, rapidly establishing an office network that provided unparalleled geographic coverage and local expertise," said Neeraj Sahai, head of securities and fund services at Citi. "This acquisition demonstrates our commitment to continually enhance our securities and fund services capabilities and extending our leadership position in emerging markets."

Terms of the deal were not disclosed. Subject to standard closing conditions and regulatory approvals, Citi and ING expect the transaction to close in Q1 2014.

Standard Chartered pushes Africa growth

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The acquisition builds on the "significant" investment that Standard Chartered has already made in its African franchise, said the bank.

As well as organic investment, the group acquired First Africa, an African M&A advisory business, in 2009 and the Africa custody business of Barclays in 2010.

The bank opened two new wholesale banking corporate offices in in Cape Town and Durban, South Africa.

Over the past two years, Standard Chartered has sought to develop a profitable custody model across 21 sub-Saharan African countries, launching custody operations in South Africa earlier this year.

Diana Layfield, CEO of the Africa region at Standard Chartered, said: "Africa is an important strategic opportunity for the bank and for our clients, offering excellent economic growth and increasingly strong trade links with markets in Asia and the Middle East. This deal will improve the range of services we offer to clients in the region. It builds our capabilities and is in line with our strategy to support our organic growth with selective acquisitions."

Karen Fawcett, group head of transaction banking at Standard Chartered, added: "The successful acquisition of Absa Bank's South African custody and trustee business will enable Standard Chartered to rapidly build on its custody capabilities across Africa. I am confident that today's announcement will strengthen our proposition, and establish us as a core bank to our clients in and investing into Africa."

Standard Chartered's Africa business has delivered average annual growth of 15 percent for the past 5 years. In 2012, the region generated income of $1.6 billion, up 15 percent, with the wholesale bank generating $1.1 billion, up 16 percent.

Eight markets delivered more than $100 million of income for the year, with Kenya and Ghana joining Nigeria in delivering more than $200 million.

"[We] intend to maintain this overall rate of growth for the region, aiming to double revenues from Africa over the next four to five years on a constant currency basis," said a statement from the bank. "To achieve this, the group will invest more than $100 million in new branches over the next three years, accelerate its investment in mobile payments technology, and hire new staff. It will also invest in new areas such as Islamic banking and mortgages, to improve the service we can offer to our clients."

The Absa Bank deal follows Standard Chartered's launch of an integrated direct and regional custody platform for its investor and intermediaries clients, testifying to the bank's commitment to continue building out capabilities to meet clients' needs.

BNP Paribas uses SWIFT to strengthen collateral walls

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The bank will integrate SWIFT's standardised messages supporting triparty collateral flows within the bank's Margin Protect solution, which aims to guarantee clients ensures full compliance with the upcoming regulatory requirements on OTC transaction, mitigation of counterparty risk, asset safety and cash reinvestment facilities.

The company also hopes that Margin Protect will provide straightforward and more efficient management of all securities collateral operations, from instruction to substitution and monitoring.

Philippe Ruault, head of clearing settlement and custody products at BNP Paribas Securities Services, said: "The more stringent requirements and the expected increase in volumes of collateral exchanged will make it difficult for firms to cope with a manual process still largely reliant on fax and emails."

"The combination of our robust and efficient custody model with SWIFT's secure messaging services supporting collateral management will benefit clients as it ensures collateral safety through a simplified access to account control arrangements (ACA)."

Bloomberg takes issue with CFTC's swaps rule

Data vendor Bloomberg is taking the US Commodity Futures Trading Commission (CFTC) to court over a proposed rule that it argues will make swaps trading more expensive.

Bloomberg filed a complaint against the CFTC in the US District Court for the District of Columbia on 16 April.

The CFTC introduced Rule 39.13(g)(2)(ii) in the Federal Register in November 2011 as a part of its implementation of Dodd-Frank Act provisions governing derivatives clearing organisation (DCO) activities.

The rule prescribes minimum liquidation times for the calculation of initial margin requirements for swaps and futures that DCOs clear.

It establishes a minimum liquidation time of one day for futures, options, and commodity-based swaps, but a minimum liquidation time of five days for all others, including "financial" swaps, such as credit default and interest rate swaps.

In its complaint, Bloomberg, which intends to launch a trading platform once the CFTC's current swap execution facility (SEF) rulemaking is completed, said that the rule's "disparate treatment" of futures and commodity-based swaps has "improperly created an opportunity for arbitrage between financial swaps and interchangeable 'swap futures' contracts".

"That arbitrage opportunity threatens the viability of ... SEFs that congress, in ... Dodd-Frank ... sought to foster in order to enhance transparency and further the public interest. It will also have the imminent effect of diverting trading away from existing over-the-counter swap platforms, in the period before the commission's SEF rulemaking is completed and SEFs become operative."

Eugene Scalia, who is a partner in the Washington DC office of Gibson, Dunn & Crutcher LLP and represents Blooomberg, wrote a letter to CFTC chairman Gary Gensler in March.

In the letter, Scalia wrote that the CFTC performed "a cursory, bare-bones analysis of the rule that remarkably provides absolutely no financial or quantitative estimates of any kind".

He requested that the CFTC stay the five-day minimum liquidation period for financial swaps ahead of the Phase 2 mandatory clearing date of 10 June, so that the same one-day period applies to all cleared swaps and futures.

Bloomberg is seeking findings that the CFTC violated the Administrative Procedure Act and Commodity Exchange Act, as well as injunctive relief, which could see the district court force the commission to stay the five-day minimum liquidation period for financial swaps, and costs.

The CFTC has not yet issued a public statement on the complaint.

BRQ and SmartStream partner to aid Brazilian firms

Brazilian IT company BRQ and SmartStream have teamed up to provide greater operational efficiency and control to the Brazilian financial services market.

BRQ will distribute, implement and support SmartStream's transaction lifestyle management solutions across the Brazilian market to help clients ensure information integrity throughout the front-, middle- and back-office operations.

Together, BRQ and SmartStream aim to transform the management of reconciliations to reduce costs, lower operational risk and increase client's agility, enabling them to better service their internal customers.

"Banks have very high daily transaction volumes. This information associated with these transactions is subject to specific rules, and regulators insist on the control of reconciliation of the data as an essential control," said a statement from SmartStream.

Today, reconciliation is typically handled in a decentralised way, manually or with ineffective automation, said Bruno Schmidt, director of BRQ's financial services division.

"This process, in addition to being time consuming, is constantly subject to errors. With SmartStream's secure best-in-class technology, effective control of the data and operations is guaranteed, regardless of the systems involved."

"The software gives banks a number of other benefits, such as a gain in agility, since all processes are now automated. Thus, teams can worry about other issues more strategic to the business."

Philippe Chambadal, CEO of SmartStream, said: "We have a long-standing commitment to Latin America and specifically to Brazil, having operated more than ten years in the region. BRQ is one of the very top IT solutions companies in Brazil and brings local knowledge and local support for our current customers. They also have the ability, through their expertise in financial services, to work with firms in Brazil to make sure they get the most from our solutions."

Markit rolls out service to MacKay Shields

Markit, a financial information services company, has rolled out Markit Enterprise Data Management (EDM) to MacKay Shields, a US-based investment firm with approximately $78 billion AUM.

Markit EDM aims to enable a streamlined, automated workflow, supporting operations across the front and back office. It will allow MacKay Shields to manage the way data is collected and distributed throughout its investment management systems.

"Regardless of the size or scope of an institution, accurately managing data is key to reducing risk across the entire organisation," said Daniel Simpson, managing director and head of Markit EDM.

"We've seen data management initiatives become more prevalent in the front office in recent years, especially within buy-side firms. These organisations are focusing their efforts on front office data demands for actionable, reliable and up-to-date information to support pre-trade compliance and trading decisions."

David Bates, principal at Citisoft, which advised on the transaction, said: "Markit EDM provides a central hub for the management of complex data sets in an efficient and controlled manner in support of MacKay Shields' world class investment capabilities. Markit EDM's flexible platform further enhances MacKay Shields' infrastructure and investment services capabilities supporting its tailored income-oriented investment solutions."

Russian CSD and Interfax sign over information

National Settlement Depository (NSD), Russia's central securities depository, and Interfax have concluded an agreement on the provision of information services.

According to the signed document, NSD will receive information from Interfax about material facts disclosed by securities issuers in compliance with Russian law and will publish it on its official website in real time.

Customers will be able to receive all necessary information about issuers, their securities and corporate actions on NSD's website. NSD is the central securities depository of the Russian Federation, a part of the Moscow Exchange Group. It was declared a central securities depository in November 2012.

Interfax is an information group in the Commonwealth of Independent States formed in 1989, when a group of journalists created an information agency that became the first non-state channel for the latest political and economic information about the USSR.

Today, Interfax provides political and economic news, fundamental and exchange data, professional solutions for risk-management, marketing, investor relations, and PR. The group includes a network of national, regional and industrial information agencies operating in Russia, in the territory of former Soviet Union and in China.

Among Interfax's customers are Russian and foreign state agencies, companies and banks, participants of financial markets and investors, and leading Russian and international media.

State Street's Q1 2013 reveals increased custodial assets

State Street's Q1 2013 results saw slightly dipped revenue of $2.44 billion: down just one percent from Q4 2012, and up one percent from Q1 2012.

The firm was awarded $223 billion in asset servicing mandates, and had $5 billion in net new assets to be managed at State Street Global Advisors.

Assets under custody and administration were recorded at $25.4 trillion for Q1 2013, an increase of 9.5 percent from Q1 2012 ($23.2 billion).

Servicing fees increased 2.2 percent to $1.2 billion in the Q1 2013 from Q4 2012, due to stronger global equity markets and higher transaction volumes.

Compared to Q1 2012, servicing fees increased 9 percent, due to stronger global equity markets, net new business, and the acquired Goldman Sachs Administration Services business.

Management fees increased to $263 million in the first quarter of 2013 from $260 million in the fourth quarter of 2012, again due to stronger global equity markets and net new business partially offset by lower performance fees. Compared to the first quarter of 2012, management fees increased 11.4 percent.

Trading services revenue, which includes foreign-exchange trading revenue, brokerage and other fees, was $281 million in Q1 2013, up 15.6 percent from Q4 2012 due to strength in foreign-exchange and electronic trading.

Foreign-exchange revenue increased 23.7 percent from Q4 2012 due to higher volumes and volatilities, but decreased 2 percent from Q1 2012. Brokerage and other fees increased 8 percent to $135 million from Q4 2012 due to increased electronic trading.

Securities finance revenue was $78 million in Q1 2013, an increase of 5.4 percent from Q4 2012 due to slightly higher volumes. Securities finance revenue decreased 19.6 percent Q1 2012 due to lower spreads and volumes.

Joseph Hooley, State Street's chairman, president and CEO, said, "The first-quarter results reflect good performance and our continued commitment to delivering value-added solutions to our clients across our asset servicing and asset management businesses. The strength in the equity markets, combined with higher volumes and increased volatility in foreign-exchange trading, supported our fee revenue."

"Overall, the environment continues to show signs of gradual improvement as reflected by investors shifting into equities. However, given the ongoing fragile state of the global markets, we continue to remain cautious for 2013."

BNY Mellon's combined AUM/AUC is on the up

BNY Mellon's assets under custody and/or administration amounted to $26.3 trillion at 31 March, an increase of 2 percent over the previous year, but it was unchanged sequentially.

The bank attributed the year-over-year increase to net new business and improved market values, but changes in foreign currency rates did partially offset it.

Consecutively, changes in foreign currency rates offset improved market values, while net new business was flat.

AUM amounted to a record $1.4 trillion at March 31, an increase of 9 percent compared with the prior year and 3 percent sequentially.

Both increases primarily resulted from net new business and higher market values. Long-term inflows totalled a record $40 billion and short-term outflows totalled $13 billion for Q1 2013.

Long-term inflows benefited from liability-driven investments as well as equity and fixed income funds.

BNY Mellon's investment services fees totalled $1.7 billion, an increase of 1 percent year-over-year and 4 percent sequentially.

Both increases were primarily due to higher asset servicing revenue as a result of increased activity with existing clients and improved market values.

The year-over-year increase also reflect higher treasury and clearing services revenue, although these were partially offset by lower issuer services and securities lending revenue.

The consecutive increase also reflects higher issuer and clearing services revenue.

Gerald Hassell, chairman and CEO of BNY Mellon, said: "We are pleased to report our fourteenth consecutive quarter of net long-term asset management flows, and continued growth in investment services fees."

"Investments in our investment management, global collateral services and global markets businesses have positioned us well for future growth, and we remain on track to deliver the savings from our operational excellence initiatives."

RBC Hedge 250 Index returns 1.35 percent

RBC Capital Markets reported that for the month of March, the RBC Hedge 250 Index had a net return of 1.35 percent.

This brings the year-to-date return of the Index to 3.40 percent. These returns are estimated and will be finalised by the middle of next month. The return for February has been finalised at 0.38 percent.

The RBC Hedge 250 Index is a non-investable benchmark of the performance of the hedge fund industry, and currently consists of 4,604 hedge funds (excludes funds of hedge funds) with aggregate AUM of $1.152 trillion.

SWIFT launches new BPO rules and tools

SWIFT and the International Chamber of Commerce Banking Commission (ICC) have released new legal and technology standards for Bank Payment Obligation (BPO).

BPO is a new payment term that allows buyers and suppliers to secure and finance international trade transactions.

The BPO rules will establish uniform practices for BPO market adoption. Together with ISO 20022 messaging standards, these rules provide an industry wide foundation for banks to develop risk and financing services aligned with today's technology.

Gottfried Leibbrandt, CEO at SWIFT, said: "The BPO, with the underlying ISO 20022 standards, is shaping the future of the trade industry and is a key opportunity for banks to innovate in the services they offer to their corporate customers."

Kah Chye Tan, chair of the ICC Banking Commission, said: "This is a golden age for trade finance. All banks wish to better engage in open account transactions and the BPO will make it happen. Its is vital that the industry aligns on enhanced rules and tools and by benefiting from ICC and SWIFT standards, banks will be better equipped to carry out their trade business."

Torstone Technology opens back door for Amazon and Rackspace

Torstone Technology, a securities and derivatives processing software provider, has made its Inferno back office system available for Virtual Private Cloud (VPC) environments such as Amazon or Rackspace Hosting.

Torstone said it is first in its sector to offer this deployment option with the security and robustness to reassure target customers such as investment banks, larger hedge funds and brokers.

Brian Collings, chief executive of Torstone Technology, said: "We believe Torstone has stolen a march on our competitors and is very early in enabling our customers to take advantage of the flexibility, resilience, scalability and cost-effectiveness of secure VPCs.

"This is down to the underlying architecture of Inferno as well as our in-house technologists who are equipped with the skills to engineer our solution to utilise the VPC optimally."

He added: "The infrastructure level is finally becoming a commodity service, which enables software vendors such as ourselves to focus more investment on advancing, developing and supporting financial back office systems to meet the constantly evolving needs of the industry."

Euroclear expands in Luxembourg

Euroclear is expanding its Luxembourg based office to accommodate up to 10 employees who will focus on growing client relationships and delivering account management services.

The office is led by Jane Sidnell, who reports to Philippe Laurensy, director and regional head, in Brussels.

Sidnell, Laurensy and their commercial team will work extensively with Euroclear's Luxembourg client base in adapting to new regulations and preparing to work in a T2S post-trade environment.

Pierre Yves Goemans, managing director at Euroclear, said: "Luxembourg is the largest private banking centre and second largets investment fund centre in the world, making it a logical focal point for Euroclear. The expansion of our Luxembourg office is a clear indication of our continued commitment to provide high levels of service to our clients."

"Sidnell's understanding of the Luxembourg investment fund sector and Laurensy's broader industry knowledge and experience will provide instrumental in building a highly client-focused team in Luxembourg with the right skills to attract new business."

Fidessa is one-stop shop for Asian brokers

Fidessa has partnered with a number of key Asian regional brokers to provide a one-stop-shop trading service for all ASEAN markets.

The partnerships, with CIMB, DBS Vickers, Maybank Kim Eng, OCBC Securities, Philip Securities and UOB Kay Hian, make it possible to trade across the whole of the ASEAN region from a single connection to Fidessa's global trading network.

Jean-Pierre Baron, managing director for Fidessa in the Asia-Pacific, said: "Global firms are looking for a service that gives them low cost, low risk, low maintenance access across ASEAN markets, and are turning to the Fidessa network to connect to local brokers who can do just that. In this way, we are facilitating greater access to some of the world's most dynamic emerging marketplaces."

"This is an important time for South East Asia, as individual markets within the ASEAN region are proving increasingly attractive to international investors," continued Baron.

"For example, with a population of 244 million and a GDP in the region of US$1 trillion, Indonesia is recognised as one of the world's fastest growing emerging economies. The Philippines Stock Exchange has started to offer direct market access, encouraging more advanced trading. Members of the Fidessa network can easily access these important destinations and work with brokers that have local knowledge, which in turn enables them to operate more efficiently and provide a better client service."

Fidessa's global FIX network currently connects around 3,500 buy-sides to 750 brokers across 200 execution venues covering all asset classes, and carries order flow of around $850 billion each month.

Transact is re-registering with Calastone

Transact has chosen fund transaction network Calastone to provide it with a fully interoperable, electronic re-registration solution.

Transact, along with a number of other organisations, took part in the original working group to develop the Calastone re-registration service, and has now chosen the solution to automate its own re-registration process.

"Under FSA regulations it is compulsory for platforms to offer re-registration of assets,"

said a statement from Calastone, which added that while these regulations do not stipulate that this process must be automated, it is "widely acknowledged" that an electronic STP solution is preferable.

The service allows the transfer of legal title in fund units between nominees. It enables STP for "in specie" transfer of assets and provides full visibility to all parties during the lifecycle of the transfer.

Ian Taylor, CEO of integrated financial arrangements, said: "Calastone has a strong track-record of delivering flexible and scalable solutions that help to reduce risk and costs without requiring additional software spend. We welcome the fact that someone has delivered a cost effective system that can transfer legal title in seconds. This can only be a good thing for the end investor."

JTC Group acquires Ardel Fund Services in Guernsey

Fund administrator JTC Group has acquired Ardel Fund Services (AFSL) in Guernsey to boost JTC's numbers in the jurisdiction, and add specialist fund expertise both locally and for the group.

With established fund services businesses in Jersey and Luxembourg, the move forms part of JTC's broader international expansion plans.

"The AFSL team has an excellent reputation in the industry and a high calibre of existing clients," states Group CEO and chairman, Nigel Le Quesne. "This is an important strategic acquisition for JTC Group, giving us a much bigger presence in Guernsey and is another step towards strengthening a more global offering for our clients."

Thirteen AFSL staff will join JTC Group, with the combined team operating from AFSL's premises in Frances House in St Peter Port.

JTC Group offers fund administration services across the full range of fund types and regulatory spectrum, with asset classes including real estate, renewable energy, private equity and media.

It provides administration services to both closed and open-ended funds established in Jersey, Guernsey and Luxembourg, as well as services to other non-domiciled fund structures in jurisdictions such as the Cayman Islands and the British Virgin Islands.

Northern Trust expands fund administration in Hong Kong

Northern Trust is expanding its fund administration and custody capabilities to support locally domiciled Hong Kong funds, including exchange-traded funds, as well as other regional investment funds.

The bank stated that its aim of expanding was to help meet demand from asset managers to launch local investment products in the greater China area.

For the newly launched service, Northern Trust will provide global sub-custody and fund administration services, including fund accounting and shareholder services, to asset managers looking to broaden their product and distribution base in the Asian region.

"We recognise the significant demand from investors, asset managers and regulators for local products in the Hong Kong and greater China markets," said Camie West, head of global fund services in Asia for Northern Trust.

"This service offering provides our asset manager clients with improved access to these markets through locally domiciled vehicles, coupled with Northern Trust's fund administration expertise and proven global infrastructure."

The Hong Kong funds will complement the global array of fund structures supported by Northern Trust, including UCITS funds in Europe, and mutual funds and collective investment trusts in the US. For ETFs, Northern Trust brings to the Asia-Pacific region what it calls a "unique" service infrastructure that exists in Europe, which it believes will enhance product efficiencies for clients in Asia.

"Many successful international and local Asian managers are extending their product reach into all regions, and in particular there has been an increased focus on Asia for the distribution of funds," said Paul Fahey, head of product and strategy for Global Fund Services at Northern Trust.

"We believe our expanded services can help both international and local Asian managers increase their assets under management. We are increasingly moving up the value chain, helping managers implement and execute effective cross-border distribution strategies to help them build their assets and scale quickly."

REGIS-TR is on the road to ESMA acceptance

REGIS-TR, the European trade repository from Clearstream and Iberclear, is confident that its application to act as a trade repository across all asset classes will gain European Securities and Markets Authority (ESMA) acceptance.

"Obtaining the trade repository license for all asset classes in Europe promptly is just one of the key elements REGIS-TR is committed to delivering as part of its business proposition," said a statement from the company.

"REGIS-TR has supported the industry from the inception of the new reporting obligation derived from EMIR and is prepared to be able to cover the market's needs during the upcoming and crucial onboarding process. REGIS-TR is in permanent contact with ESMA and performs an active educational role via its close proximity to the derivatives market's participants."

REGIS-TR is a central trade repository for derivatives transactions across multiple product classes and jurisdictions. It is open to financial and non-financial institutions, primarily in Europe, and will service all types of derivative contracts.

In addition to its core services, it plans to introduce centralised collateral management and third-party exposure valuation services.

Silverfleet Capital backs £50 million Ipes buyout

European private equity firm Silverfleet Capital is to buy fund administrator Ipes for £50 million. Silverfleet is acquiring the European firm, which provides fund administration and outsourcing services to the private equity industry, from RJD Partners.

Management detailed plans to develop the business both organically and through acquisition, with an emphasis on international expansion.

Ipes was founded in Guernsey in 1998 and today employs 130 staff, administering in excess of $50 billion of assets from four European offices in Guernsey, Jersey, London and Luxembourg.

Ipes has more than 90 clients and administers 230 funds. The firm provides a range of fund administration and outsourcing services to the closed ended asset class with a particular specialism in private equity, also supporting clients with compliance, banking and the administration of carried interest, co-investment schemes as well as listed funds.

Geraldine Kennell, the partner of Silverfleet Capital responsible for financial services who will join the Ipes board, said: "Ipes has successfully pioneered a specialist approach to private equity fund administration and has an excellent track record. We have a deep understanding of this sector and specifically of working with heavily regulated businesses."

"The market environment is attractive for a dynamic management team with a clear plan for growth and we have significant experience in this sector to support the development of the business both organically and through buy and build."

Ian Oxley, partner of Silverfleet Capital who co-led the deal, added: "The outlook for outsourcing of private equity administration is very positive, as funds have to manage increasing regulatory and investor demands which are costly to provide in-house. Legislation including AIFMD, FATCA and Dodd-Frank will generate significant new reporting requirements and this in turn will create an opportunity for Ipes as it works with fund managers to ensure compliance with these regulations."

Silverfleet Capital has experience of investing in heavily regulated businesses in the financial services sector, having grown outsourced management and accounting services provider TMF and then sold it on in 2008 for €750 million—achieving a 6.1x money multiple.

Guernsey signs DTA with Hong Kong

Guernsey has signed a double taxation agreement (DTA) with Hong Kong, meaning that Guernsey has now signed full DTAs with seven jurisdictions.

In addition to the DTA with Hong Kong, Guernsey has had a DTA with the UK for many years and has signed DTAs with Malta, in 2012, and earlier this year with the Isle of Man, Jersey, Qatar and Singapore.

The DTA was signed for Guernsey by Peter Harwood, chief minister, who commented that this was an important step in growing the business links between Guernsey and Asia.

Harwood said: "I am delighted to further strengthen our relationship with Hong Kong. The signing of this DTA, combined with the visit of the Chinese Ambassador to the UK to Guernsey this week, recognises the importance attached to Guernsey's business relationship with the Far East."

"The agreement is expected to bring significant commercial benefits to our finance sector, resolving issues relating to potential double taxation, and leading to greater opportunities for new business."

In 2011, Guernsey businesses were approved to list on the Hong Kong stock exchange. And today a number of Guernsey-based firms have offices in Hong Kong, including law firms Mourant Ozannes and Ogier, fund administrator International Adminstration Group and fiduciary services providers Louvre, Nerine and Newhaven.

Fiona Le Poidevin, chief executive of Guernsey Finance, said: "The DTA means that individuals or companies with 'home' as one jurisdiction but with interests in the other jurisdiction will have mechanisms in place to prevent then from being taxed by both sets of authorities on the same income."

"This clarity and certainty on matters of taxation makes it more attractive to conduct business between the two jurisdictions, especially in terms of investment funds, fiduciary services and intellectual property."

Rob Gray, Guernsey's director of income tax, said: "As well as creating a mechanism for exchanging requested tax information with Hong Kong, the agreement will assist in resolving issues relating to potential double taxation of both corporate and personal incomes, such as business profits, dividends, interest, royalties, income from employment and pensions."

Guernsey has also now signed 41 Tax Information Exchange Agreements (TIEAs), most recently with the British Virgin Islands.

Chapman's Eye on the market

It's good to talk

One theme that you may have noticed runs through this column on a regular basis is that of the 'new normal', ie, the brave and ever-changing world that we find ourselves in but many people have trouble adapting to. However, one constant is the always-popular conference circuit that runs pretty much all year round and allows for information to be shared, old friends to be caught up with and new friends to be made.

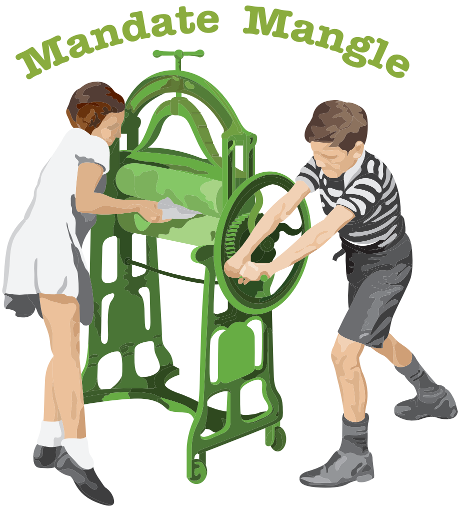
The serious asset servicing conference addict can get his or her fix in almost any major country with gatherings of every size, from the highly informal, biannual Williams event catering primarily for network managers, through that buy-side mecca that is Funds Forum and the mother of them all, SIBOS, to Andrew Barman's highly regarded Global Custody Forum, which traditionally rounds off the year in December.

While there are some notable speakers who trot out the same, anodyne, corporate communications-authorised platitudes on every occasion, there are some speakers who stand out as being independent, incisive, lateral thinkers who actively encourage interaction between delegates and the floor and promote independent ideas. Of those the names, John Gubert, Richard Greensted, Bob Currie, Dominic Hobson and Phil Brown stand out—the prophesies that John promulgated at NeMa Dubrovnik were cannily accurate and a Hobson discourse can have eye-watering results, both in terms of humour and pricking corporate egos in some cases.

I'd suggest the best strategy to apply to conference attendance is to review and choose which topics you'd most like to hear about in advance, but don't try to do them all so as to prevent 'conference burnout', make time to network both at the conference and outside, and don't be afraid of asking for the microphone if you have a valid point to make.

I look forward to seeing many of you at whichever conference(s) you choose—and don't forget your business cards!

Paul Chapman, managing director, HornbyChapman Ltd



Italian boutique firm Ersel Asset Management has appointed **State Street** to provide it with a range of investment services.

State Street currently provides depository services for Ersel Asset Management's mutual funds and will now provide NAV calculation and transfer agency services for its entire fund range, as well as middle-office services for its mutual and hedge funds.

"The appointment signals further interest from boutique asset managers looking for providers who can offer full administrative, middle office and back office solutions for their needs," said a State Street statement.

A recent State Street-commissioned survey of boutique asset managers showed that while they are in a good position to capitalise on investors' "hunt for alpha" through diversification, many boutiques need to overcome limitations in their own internal systems.

Thirty-two percent of boutique managers said that their operational/IT infrastructure was in need of "some" or "considerable" improvement.

Alberto Pettiti, COO and deputy general manager of Ersel Asset Management, said: "The process through which Ersel decided administrative outsourcing of activities was based primarily on the quality of the services provided, as observed in the processes of State Street, which is vital for any business that chooses to outsource parts of their operations."

Riccardo Lamanna, senior vice president and head of State Street's global services business in Italy, added that the bank recognises that the increasing challenges facing boutique firms can distract them from their core business. "We are continually working to provide complete back and middle-office solutions ... this appointment is further indication of boutique investment managers' confidence in our full service solutions."

ATP (Arbejdsmarkedets Tillægspension), the Danish Labour Market Supplementary Pension Scheme and its subsidiaries, has appointed **Northern Trust** to provide custody and related services to approximately $106 billion of pension fund assets.

Under the terms of the agreements, Northern Trust will provide custody and collateral management services for the pension fund, which is the largest in Denmark.

"We appointed Northern Trust based on their ability to deliver a tailored custody and collateral management solution that supports our objective of achieving consistently top rates of operational efficiency," said Henrik Gade Jepsen, CIO at ATP. "Their established presence and experience supporting pension funds, as well as their global servicing capabilities were key factors in their appointment."

ATP administers a number of schemes under statutory regulation. Its purpose is to pay a lifelong supplementary pension to wage earners in Denmark on the basis of payments from wage earners and employers.

"ATP is one of the largest and most highly-regarded institutional investors in the world and we are delighted to extend our custody and asset servicing solutions to this Danish fund," said Steven Fradkin, president of corporate and institutional services group at Northern Trust. "By combining our expertise and on the ground presence with our scale as a global custodian and fund administrator, we believe we are well positioned to support the needs of sophisticated institutions such as ATP and look forward to working with them and other Danish clients in the future."

"Northern Trust works with some of the most sophisticated, premier institutional funds and investment managers in the Nordics," added Wilson Leech, CEO of Europe, Middle East and Africa at Northern Trust. "Particularly as our clients navigate the evolving regulatory landscape and face an increasingly challenging economic environment, they look to us to not only provide them with high-quality services to support their investment management decision making, but also the ability to partner with them for the long term and adapt with them as their requirements change."

British Airways Pension Fund has selected **BNY Mellon** to provide OTC derivatives and collateral management services.

Nadine Chakar, executive vice president and head of product and strategy for BNY Mellon's global collateral services business, said: "The needs of global retirement systems have grown increasingly sophisticated given ongoing regulatory developments, the emergence of new, more complex financial instruments and today's cross-border investment environment."

"As an organisation, we're focused on delivering services to work with clients at every stage of the investment lifecycle by trading, holding, managing, servicing and distributing their financial assets."

BNY Mellon has been selected to provide global custody, fund administration, foreign exchange and cash management services for a new fund of hedge fund strategy from van Biema Value Partners.

"BNY Mellon demonstrated its ability to deliver a solution specifically designed for our unique needs," said Steve Bondi, COO of van Biema Value Partners. "The strength of its client service team and the flexibility of the product offering made BNY Mellon the best choice for us."

"An additional benefit provided by BNY Mellon that is valued by van Biema Value Partners is our platform's ability to service both the asset manager and the our global institutional clients or asset owners," said Bill Phinney, managing director of BNY Mellon's complex accounting and administration group.

"Our platform also enables hedge funds to provide transparency to their institutional clients, an increasingly important capability in the current investment climate."

Michael van Biema established investment adviser van Biema Value Partners in 2004. It specialises in creating portfolios of small, deep value-oriented hedge funds for investors.

Polen Capital Management has selected **RBC Investor & Treasury Services** as service provider for its newly launched Polen Capital Investment Funds UCITS umbrella fund structure in Ireland.

The account will be serviced in Dublin. Custody, fund administration, shareholder and trustee services, financial reporting, key investor information services, and foreign exchange will also be provided to the fund.

Stan Moss, CEO of Polen Capital Management, said: "We are constantly looking for ways to capitalise on strong demand from international investors as well as from our home market. The expertise and support of RBC Investor & Treasury Services with the launch of our new UCITS, the Polen Focus US Growth Fund will help us to maximise our investment management capabilities for concentrated portfolios of US equities."

Padraig Kenny, the managing director in Ireland for RBC Investor Services, said: "Polen Capital Management selected us for this new fund based on our proven track record with UCITS as well as our strength and scale in the UCITS arena and flexible operating model. We look forward to developing a strong relationship with them, focused on providing strong service delivery and industry-leading insight on matters affecting their new UCITS fund."

Polen Capital Management is an independently owned and operated Florida-based US equity investment manager with focus on large cap growth investments.

Polen products are offered through a separately managed account, mutual fund, UCITS and private partnership for various client types including high net worth individuals and family offices, endowments and foundations, corporations, and public funds.

A space in the sand

A complex and continuously shifting regulatory environment means that custody in Brazil can be a tricky business. AST takes a look

GEORGINA LAVERS REPORTS

Finding a spot to lay a towel on the Brazilian beach of Copacabana in the height of summer is generally considered to be a fool's errand. Equally busy—but perhaps slightly less glamorous—is the custody market, which boasts 3.827 billion assets held in Brazilian real.

Itaú Unibanco is Brazil's largest bank by market value, and one of the major players in the region. Reports have suggested that bank is about to close an offer for the retail banking unit of Citigroup in Uruguay—a transaction that would turn Itaú Unibanco into the country's second-largest bank after the Spanish Banco Santander.

With 587 employees in Brazil, the bank's custody business's total assets under custody in Brazil are worth BRL 927 billion, with local custody at BRL 742 billion and sub-custody figures of BRL 185 billion.

The make-up of the country in terms of local and global custodians is fairly equal, with local players scooping up domestic investors and global players best poised to capture business in the sub-custody market.

Top players in Brazil's custody and sub-custody markets

Local custody market: BRL 2,845 billion
1st) Bradesco: BRL 842 billion
2nd) Itaú Unibanco: BRL 742 billion
3rd) Bando do Brasil: BRL 583 billion
4th) Santander: BRL 144 billion

Sub-custody market: BRL 982 billion
1st) Citibank: BRL 415 billion
2nd) Itaú Unibanco: BRL 185 billion
3rd) J.P. Morgan: BRL 119 billion
4th) Bradesco: BRL 114 billion

Total assets under custody in Brazil (local and sub-custody): BRL 3,827 billion
1st) Bradesco: BRL 956 billion
2nd) Itaú Unibanco: BRL 927 billion
3rd) Bando do Brasil: BRL 583 billion
4th) Citibank: BRL 558 billion

Source: Anbima, February 2013

Ricardo Soares, the director of custody at Itaú Unibanco, comments that the figures show a concentration of the custody market.

"Ninety-three percent of total assets under custody in Brazil (BRL 3.024 billion out of 3.827 billion) are held by four major players (Bradesco, Itaú Unibanco, Banco do Brasil and Citibank); of those, only Citibank is global. This characteristic creates a huge barrier for all newcomers to the market."

"Also, there are 25 local players that provide custody services to 72 percent (BRL 2.767 billion out of 3.827 billion) of all assets in Brazil; while only 28 percent of the assets are held by eight international players (BRL 1.060 billion out of 3.827 billion)—figures which support the initial conclusion."

One of the global players in the market is BNP Paribas Securities Services, which opened in São Paulo three years ago. Nelson Fernandes, head of BNP Paribas Securities Services in Brazil, says: "We set our BNP Paribas Securities Services flag in Brazil, Sao Paulo back in January 2010. However,

the bank was offering local custody to local and foreign investors for more than a decade through its asset management arm."

"We had lifted out those custody teams and related business back in 2009 and implemented our global system called AceTP running in several markets, connecting it to the Brazilian capital market."

During the past three years, Fernandes says that the team has focused on growing their market share for the inbound custody flow, as well as selling offshore capabilities to Brazilian financial intermediaries and institutional investors.

But in the midst of migrating internal portfolios and picking up new clients, there lay obstacles.

"One of the main challenges on the Brazilian market is taxation as rules may be changed overnight," says Fernandes. "We have overcome this with a strong internal tax advisory team working closely with our custody unit to accompany and implement those changes. In addition, this requires also flexible system to reflect them timely."

Soares agrees, commenting that the regulatory environment is complex and constantly updated. "The Brazilian regulatory framework and the strong presence of the regulators overseeing day-to-day activities provide a secure environment for investments and to the investors, which has been proved during the last few years during the financial market crisis worldwide."

"However, this complexity and the regular changes create a demanding and challenging business for the service providers, such as custodians and fund administrators, which are required to make huge investments in technology and in people, in order to comply in one hand with the new regulations, and in the other hand keeping the products and services meeting clients' expectations." This can only be rectified, he stresses, by an intense lobbying effort, which allows a custodian to anticipate the new updates and potentially influence the market for the better. **AST**

GOAL Group's CEO Stephen Everard says that Brazil has been at the forefront of the movement to promote class actions in Latin America

Class action growth outside of the US is now increasing rapidly, and, while some jurisdictions may have more robust securities litigation frameworks in place than others, recent developments across different regions reinforce the need for global firms to monitor potential litigation venues around the world.

Although the US is still the most developed and dominant centre, other legislatures around the globe are rapidly catching up. For example, in Latin America the picture is very mixed and varies from country to country. Many Latin American countries currently do not allow class actions, meaning their citizens rely on pursuing claims in the US courts, whereas some jurisdictions are actively encouraging claimants to litigate through their local courts rather than in the US.

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

Looking more specifically at the largest South American geography, Brazil has been at the forefront of the movement to promote class actions in Latin America. Also, while the predominant focus has been on consumer class actions, Brazil has broadened the scope of its laws to allow investors as well as consumers to bring class actions. Goal Group's analysis of its class actions knowledge base predicts that by 2020 annual securities class action settlements in South and Central America will reach $0.620 billion, and with the new legislation already in place Brazil looks set to account for a decent proportion of that.

There also continues to be increased emphasis on dividends as a method of delivering shareholder returns. Dividends on cross-border shares and yield from foreign bonds are subject to withholding tax. At the end of 2011, Brazil had just under $28.5 billion assets invested abroad, compared to almost $14 billion in 2008.

Research from Goal Group found that in 2010 around 25 percent, which amounted to $17.39 billion of investors' rightful returns from their foreign shares and bonds were lost because withholding tax on dividends and income was not being properly reclaimed. This represented an increase of more than 50 percent in the annual amount lost compared with 2006, and we expect to see this maintained when we report our latest analysis of the situation.

The problem is likely to increase as dividend payments become more popular and a more significant element of shareholder returns, and a rising proportion of portfolio investment devoted to foreign securities means that lack of tax reclamation needs urgent attention from fund managers and custodian banks.

The processes for tax reclamation and for identifying and filing securities class actions claims can be very complex, however, there are a number of services available that minimise the complexity and cost of these activities. This makes withholding tax reclamation and class actions an economic process for custodians, and a 'must have' for fund managers under pressure from their investor clients. Fund managers and pension funds that are also increasingly aware of the existence of such systems are beginning to include the requirement for such automated facilities as a standard part of their custodian services RFPs.

Dealing with complexity

Now is the time for custodians to get to grips with the impact of T2S on their businesses and operations, says Harry Newman of SWIFT

T2S, the common settlement platform being implemented by the European Central Bank, is designed to increase efficiency and reduce costs by improving post-trade harmonisation in Europe. But it will impose change on market participants, including custodians.

Unlike central securities depositories (CSDs), custodians have a number of options when it comes to leveraging T2S. These range from keeping their existing post-trade arrangements to connecting directly to T2S and consolidating their post-trade arrangements on a pan-European basis. But custodians, like all affected market participants, do need to review their post-trade arrangements and their back-office systems in preparation for T2S. Even for those banks that decide not to join directly, T2S has a potential impact. The level of change required could be major, and the timetable is challenging. Choices need to be made—and soon.

In light of this, the fact that a recent report by independent analyst Celent—The European Post-Trade Ecosystem under T2S: Dealing with Complexity—shows a mixed picture of market participants' readiness for T2S is a cause for some concern. The report is based on a detailed survey of major participants in the European post-trade environment, including sub-custodians and global custodians. It shows that while the biggest custodians likely to connect directly are among the most advanced in their preparations (closely following the CSDs) there are nonetheless gaps in their planning for T2S, especially when it comes to impact on operational processes, integration requirements and budget allocation.

The integration and mapping challenges created by T2S should not be underestimated. For communication with T2S, market participants will have to adopt the new ISO 20022 formatted T2S messages, but, as Celent points out, the adoption of ISO 20022 by market infrastructures and market participants will not happen at a uniform rate Europe-wide. Custodians will still need to be able to communicate using other messaging formats, and since T2S will not harmonise other post-trade processes such as asset servicing, those operating in multiple markets will still need to accommodate local specificities. The connectivity picture could also become more complicated with the need to establish links to T2S, though there are opportunities to reuse existing infrastructure to access the new platform.

The question of budget allocation is also an important one to answer sooner rather than later—because, as Celent finds, the back office adaptation costs for T2S are significant. The level of investment required to modify a back office to operate in the T2S ecosystem will vary depending on the number of markets accessed, settlement volumes, current market practices and the approach taken, says Celent. For a market participant that decides to adapt its current back-office system using a combination of communications hub and message translators, the spend will be in the €7 million range. But for players that decide to completely revamp their back office systems, the investment will be between €12 million for the settlement function only and €27 million if custody is added on top.

The break-even on such investments will be governed by settlement volumes: by Celent's reckoning the first option is really only valid for participants handling more than one million settlements a year, the second for those with more than four million and the third for those with more than 10 million.

According to Celent, the rest of the banks affected to a lesser extent by T2S are lagging even further behind in their preparations. The new platform will change the way settlements work in a way that is not yet clear, and this will affect even those custodians that do not join directly. Detailed industry debate on this has yet to happen, but already some questions are being raised. For example, T2S will generate much more intraday information about settlements than is typically available today. To what extent will direct users of T2S make this data available to indirect participants? Will it facilitate a better understanding of settlement times and states, reducing uncertainty and risk? Depending on how the situation plays out, there will be systems implications for custodians using T2S indirectly, and it could well pay to investigate these as early as possible.

In the conclusion to its report, Celent warns again that many players do not have a clear strategy for the future of their European post-trade infrastructures, a situation which needs to be remedied as the T2S go-live gets ever closer. The analyst advises that market participants, including custodians, conduct detailed planning of their T2S adaptation programmes, ensuring their strategies are aligned with their volumes. It recommends a number of best practices, including:

- Designing a 'T2S Transformation Framework' to ensure a structured, phased approach to transformation;
- Adopting an IT portfolio approach for adapting to T2S—identifying and evaluating opportunities for consolidation, retirement or integration of applications, or outsourcing;
- Consolidating communication interfaces for settlement through T2S so that business applications across the enterprise (for all geographies and all lines of business such as core settlement reporting) are serviced by a single communication hub; and
- Using messaging converters (in-house developed or third-party) to minimise impact on existing systems.

In the complexity of the evolving European post-trade landscape one thing is very clear: now is the time for custodians to tap into sources of expertise in order to get to grips with the impact of T2S on their businesses and operations. They need to determine the approach they will take—direct or indirect connectivity, back office adaptation or wholesale reworking—and then make and budget for an appropriate implementation plan to achieve readiness in good time. For more information about the report, The European Post-Trade Ecosystem under T2S: Dealing with Complexity, contact info@celent.com. **AST**

Harry Newman
T2S programme director
SWIFT

Industry appointments

Societe Generale Securities Services has appointed **Christopher Schnabel** as sales director in Germany. He reports to Jochen Meyers, managing director of sales and relationship management in Germany and Austria.

Schnabel will be responsible for further developing Societe Generale's presence and growth in Germany, focusing in particular on pension funds as well as church and non-profit organisations that require Master-KAG and trustee services for their investments.

Societe Generale in Germany has around 250 employees located in Munich, Frankfurt and Hamburg.

Schnabel began his career at Societe Generale Corporate and Investment Banking in Frankfurt in 2008, where he was a member of the financial institution group covering the German and Austrian markets.

Apex Fund Services has appointed **Elliott Brown** to the newly created position of managing director for the Americas.

In his new role, Elliott will oversee the growth of all of Apex's offices in North and South America.

Elliott was formerly with J.P. Morgan for 18 years, most recently as the managing director responsible for leading the bank's global hedge fund administration business.

BNP Paribas Securities Services has appointed **Peter Baker** to the newly created role of head of client strategy and communications to increase the firm's engagement with fund managers in the Australian market.

Baker, who was previously head of asset manager client relationships at the firm, will be responsible for developing client and consultant relationships, and ensuring the business is closely following long-term clients requirements.

He will report to Pierre Jond, managing director of BNP Paribas Securities Services Australia and New Zealand.

Relationship management for existing asset owner and asset manager clients will be restructured under the new role of head of relationship management. Katharine Seymour, formerly head of asset owner clients, will be promoted to this role.

Jond said: "Streamlining our relationship management function will allow us to maintain our focus on asset owner and asset manager clients, while sharing best practice and a consistent standard of service and client care between both. Bolstering our business development resources will help us to win new business."

Clive Snowdon has been named group managing director of the Moore Group. It is the first senior position to be announced since the fund business was acquired by First Names Group in January.

Snowdon will replace Ian Moore as managing director, who in turn takes up his new position as executive chairman of the Moore Group
.

During three years in Switzerland when Snowdon was COO of Gottex Fund Management, assets grew from under $1 billion to nearly $7 billion. His subsequent move was to become head of the alternatives fund administration business of Credit Suisse in Guernsey.

Prior to moving into the alternative assets industry, Snowdon spent more than six years as head of Risk Control and Operations for Mitsubishi Corporation Finance PLC.

Stewart Aldcroft has been recruited as CEO of CitiTrust. He will be based in Hong Kong and report to David Russell, regional head for securities and fund services Asia Pacific.

CitiTrust provides trustee services to a number of mandatory provident fund constituent funds, and approved pooled investment funds.

Aldcroft will lead the team to develop new initiatives, and grow its client base across the Asia Pacific region.

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State Street has hired **Jeff Conway** to lead an organisation that deals with clients' data information and trading challenges.

The solution, called Global Exchange, reorganises existing components from State Street's research and advisory, analytics, Currenex, Global Link and derivatives clearing capabilities into a single organisation.

Conway will report to Jack Klinck, a member of State Street's management committee and head of global strategy and new ventures. **AST**