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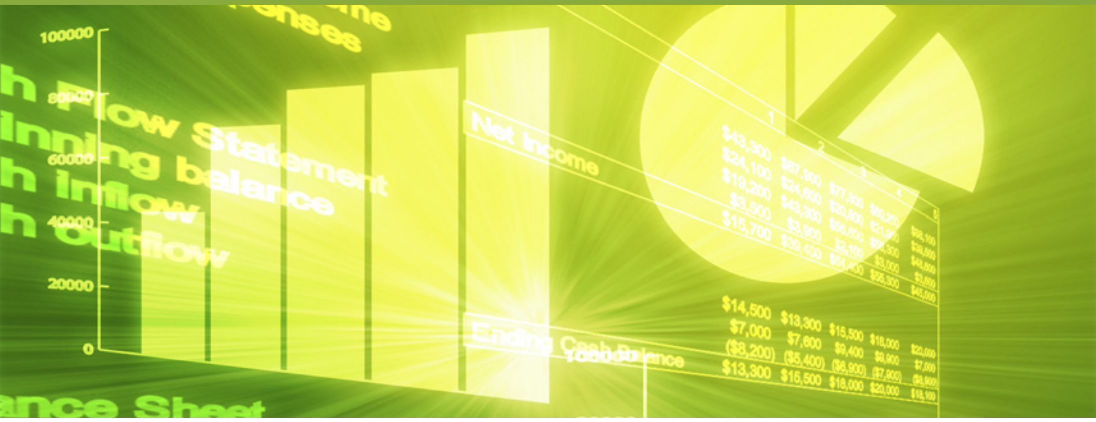

ASTINBRIEF

Financial reporting and collateral custody ramped up at State Street

LONDON 14.05.2012

State Street has enhanced its financial reporting and collateral services with the aim of helping clients be regulatory-compliant, manage risk, and automate disclosure requirements.

State Street's new ProNavigator solution enables asset managers to automate their registration forms (including the prospectus and statement of additional information) in multiple formats.

"The new solution enables auto-composition and helps to streamline disclosures that are required across multiple fund registrations," said a statement from the firm.

"It provides clients with one source document that reduces the risk of regulatory reporting errors, lowers typesetting and EDGAR conversion costs and streamlines production review and sign-off."

As for managing counterparty risk, State Street pointed to US Dodd-Frank legislation that enables collateral to be held by independent third-parties such as themselves.

Title VII of Dodd-Frank states that if a swap dealer enters into an uncleared swap transaction, its counterparty can request segregation of any funds posted.

The segregated account must be carried by an independent third-party custodian and designated as a segregated account for and on behalf of the counterparty—but only to uncleared swaps. The segregation requirement does not apply to any variation margin provided under such swaps.

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BNP Paribas launches UK dealing service

BNP Paribas Securities Services has launched its global Dealing Service solution in the UK, with the aim of providing institutional investors access to a global network of dealing teams covering all asset classes.

readmore p2

KAS-Trust takes step towards AIFMD

KAS-Trust has taken a significant step in realising its plan of acting as an independent depository for investment institutions under the Alternative Investment Fund Managers Directive.

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Financial reporting and collateral custody ramped up at State Street

Continued from page 1

Anticipating demand in the wake of this new ruling, the firm has expanded its triparty collateral custody capabilities to all clients and broker dealers to help mitigate risk and maintain control of pledged assets.

"The new solution, Collateral Custody Service, provides a segregated account structure and can be offered as an independent, stand-alone service or as a component of broader solutions."

"It compliments State Street's DerivOne suite, an end-to-end derivatives solution that includes servicing, custody and accounting, collateral management, valuation, and risk and analytics."

Finally, in the wake of global derivatives regulation, State Street has also strengthened its collateral management solution to incorporate margin automation technology.

"As the amount and frequency of required collateral increase, automation will be essential for clients to achieve timely and accurate messaging to increase operational efficiencies," said the firm.

BNP Paribas launches UK dealing service

Continued from page 1

The outsourced dealing solution is described as broker-neutral, and designed to meet an industry trend towards outsourcing from asset managers and owners.

Carl James, managing director of BNP Paribas Dealing Services UK, said that a proliferation of regulatory requirements has and will have a dramatic impact on markets, market infrastructure and their participants.

"We continue to see the search for liquidity get ever harder as markets fragment and banks withdraw further from putting balance sheets at risk."

"As dealing services solely focuses on this search for liquidity across all markets and all asset types, we are looking to become the dealing solution to buy-side clients' needs. We see a real opportunity to improve investment returns by offering a better-equipped outsourced dealing desk, a new approach to the conventional in-house dealing practices."

The opening of the London branch of BNP Paribas Dealing Services augments its established presence in Paris and in Asia from its Hong Kong dealing desk.

KAS-Trust takes step towards AIFMD

Continued from page 1

One of the largest independent depositories of investment funds in the Netherlands, it has been granted a licence by the Netherlands Authority for the Financial Markets (AFM) to act as an investment company. The license also gives KAS-Trust the ability to pass on orders in unlisted investment funds.

As of 22 July 2013, investment institutions in the Netherlands will be subjected to a strict supervisory regime. One new aspect of the regime is that investment institutions targeting professional investors, including alternative funds such as private equity funds and real estate funds, will be subject to supervision.

Many investment institution managers will need a licence from the AFM under the new regime. One of the requirements for a licence is that an independent depository must be appointed for each investment fund.

KAS-Trust plans to act as an independent, neutral AIFMD depository for investment funds. KAS-Trust currently operates as a depositary for investment funds covered by the Financial Supervision Act.

Sicco Plesman, managing director at KAS-Trust said: "The grant[ing] of the licence by the AFM is an important milestone for KAS-Trust and its AIFMD proposition."

"We already have considerable experience as a depositary under the Financial Supervision Act. Our plan to act as AIFMD depository is therefore a logical move and a perfect fit with our neutral, independent position in the market."

Russia's NSD reveals strong yearly results

National Settlement Depository (NSD), Russia's central securities depository, has published its consolidated financial statements for 2012 including financial results of DCC, its subsidiary company acquired in 2012.

For 2012, NSD's net profit grew 46.7 percent against 2011 (RUB 2.41 billion) and reached RUB 3.54 billion.

The company's operating income for 2012 increased 37.2 percent to RUB 6.15 billion against 2011 (RUB 4.48 billion). NSD's total equity grew 37.7 percent and stood at RUB 8.539 billion (RUB 6.2 billion as of 31 December 2011).

In 2012, NSD's customers' cash accounts turnover and its securities turnover (the market value of securities transferred in inventory operations) increased to RUB 261.563 trillion and RUB 143.54 trillion respectively; a 9.2 and 49.7 percent increase year-on-year.

The value of securities in depository accounts opened with NSD as of 31 December 2012 increased 48 percent in comparison with the same indicator as of 31 December 2011 (RUB 8.139 trillion) reaching RUB 12.05 trillion.

The market value of Russian issuers' shares on deposit with NSD as of 31 December 2012 grew 170 percent, to RUB 4.3 trillion.

German pharma business Bayer goes live with SunGard

The German chemical and pharmaceutical company Bayer has gone live with SunGard's Adaptiv solutions for risk management. Adaptiv Analytics, Adaptiv 360 and Adaptiv Operations will all aim to help Bayer in conducting fast Monte Carlo-based calculations of risk measures such as value at risk (VaR), potential future exposure (PFE), credit valuation adjustment (CVA), and debt valuation adjustment (DVA).

By doing this, SunGard hopes to support the firm's global financial risk management, treasury operations from trading to hedge accounting, and adherence to the International Financial Reporting Standards (IFRS) 13 rules.

Juerg Hunziker, president of trading and risk for SunGard's capital markets business said: "With Adaptiv, Bayer can focus on useing advanced risk management and calculation methodologies to help mitigate risk and comply with the latest regulatory requirements."

"Quickly and accurately calculating risk measures such as CVA, DVA, PFE and VaR across an enterprise will help firms to be well-positioned to gain a competitive advantage in industries where new regulations like IFRS 13 demand new or improved approaches to managing risk."

Huntington Asset Services to assist mutual funds

Huntington Asset Services will help out two investment firms with the launches of their mutual fund offerings.

Huntington Asset Services is a provider of fund administration and accounting, as well as distribution and transfer agency services.

"We are pleased to have been selected to be the service provider for such respected investment firms like BRC Investment Management and Mitchell Capital Management," said Joseph Rezabek, president of Huntington Asset Services.

"With the launch of a new mutual fund, it is critical that the adviser be able to rely on experts who can navigate the fund through the many operational and regulatory issues that arise. Huntington Asset Services brings years of such expertise to its clients, so that firms such as BRC and Mitchell can focus on servicing their customers."

BRC Investment Management launched the BRC Large Cap Focus Equity Fund, an open-ended fund that seeks to achieve long-term capital appreciation that will exceed the S&P 500 Index by investing in 30-35 sector diversified equity securities within the range of the market capitalisations of the companies in the index.

The new mutual fund provides investors with access to the adviser's 16+ year old flagship BRC Large Cap Concentrated Equity strategy, previously available to only select institutions and wealthy individuals. The fund launched in December 2012 in the Valued Advisers Trust.

As of September 2012, BRC Investment Management had AUM of $514.4 million.

"BRC Investment Management cares deeply about helping our clients achieve their long-term financial goals," said John Riddle, managing

principal and chief investment officer for BRC Investment Management.

"Huntington Asset Services has helped guide us through the numerous operational requirements that launching a mutual fund entails, so we can focus on giving our customers the very best solutions to their financial situations."

Mitchell Capital Management launched the Mitchell Capital All-Cap Growth Fund, a fund that seeks capital appreciation and invests primarily in a portfolio of diversified common stocks, generally consisting of 25-50 security positions, that Mitchell Capital Management Co believes have high above average future growth potential relative to their peers.

The fund will focus primarily on US companies without regard to market capitalisation or industry segmentation. The fund launched in March 2013 in the Valued Advisor Trust. As of September 2012, Mitchell Capital Management had AUM of $636 million.

Jonn Wullschleger, vice president and portfolio manager for Mitchell Capital Management, said: "The Valued Advisers Trust gave us a streamlined approach to successfully launch our fund and deliver the customer-centric performance our clients have come to expect from us."

Northern Trust expands into Germany

Northern Trust has opened an office in Frankfurt Germany, as part of a continuing commitment to servicing clients as close to their home market as possible.

Northern Trust Management Services GmbH has been established to provide investment operations outsourcing services to Allianz Global Investors, one of the largest investment managers in Germany, and with which Northern Trust has a strong existing relationship across North America, Europe and Asia Pacific.

Through the expansion of its investment operations outsourcing capabilities in Germany, Northern Trust now provides services for a total of €110 billion in assets in Germany. From its Frankfurt office, Northern Trust will also begin servicing assets for Allianz Global Investors's other pan-European locations.

"We are delighted to announce our expansion into Germany where we see significant opportunities across the institutional market, both in terms of asset servicing and asset management," said Wilson Leech, CEO of Northern Trust in Europe, the Middle East and Africa.

"We value our longstanding relationship with Allianz Global Investors and look forward to working closely with them as we deliver our sophisticated investment operations outsourcing solution, helping them focus on their core business."

Northern Trust's German office, which will be staffed by 20 people, will be headed by Kai Dirk Leifert, in Frankfurt. Leifert joined Northern Trust in 2008 and was most recently COO for Northern Trust's asset management business across Europe, the Middle East, Africa and Asia Pacific, based in London.

In his new role, Leifert will be responsible for the overall management of the Frankfurt office and Northern Trust's presence in the region.

"Partnering with Northern Trust is a significant step for us in implementing our global operating model and servicing our clients locally as 'one firm', more efficiently," said Michael Peters, chief operating officer for Europe at Allianz Global Investors.

"Northern Trust is one of the world's largest asset servicing providers, and one of the few to have a fully tailored, automated component outsourcing service for trade matching on a single, integrated global technology platform."

Northern Trust's global fund services business provides custody, fund administration, and investment operations outsourcing solutions to investment managers across the globe and across the spectrum of asset classes. It has 20 full outsourcing clients and a further 20 component outsourcing relationships in Europe, North America and Asia-Pacific.

LCH.Clearnet and LSE seal the deal on lower offer

LCH.Clearnet and London Stock Exchange have announced that their joint revised offer is "wholly unconditional" and is now completed.

On 7 March, LCH.Clearnet and London Stock Exchange Group (LSEG) announced a change in the cash offer from London Stock Exchange—the wholly owned subsidiary of LSEG—for a majority stake in LCH.Clearnet.

LSEG re-negotiated its acquisition down to €15 per share from €20, with full terms and conditions of the revised offer sent to shareholders of both companies.

A spokesperson for LSEG commented that new regulations requiring clearinghouses to put more capital aside led LCH.Clearnet to require more capital, and therefore more funding from shareholders.

"LCH.Clearnet has now received sufficient irrevocable binding subscription commitments in order to cover the full amount of LCH.Clearnet's capital raise and so satisfy the capital raise condition," said a statement from the firm.

It is expected that the capital raise will be completed in Q2 2013. In a circular, LCH.Clearnet said that clearing fee revenue for the first three months of 2013 has increased compared with the Q4 2012, particularly in key OTC business lines.

"These increases are in part offset by [our] profit share arrangements. In a challenging market environment, LCH.Clearnet continues to manage its risk profile. Realised net investment income is down year over year reflecting lower average collateral levels compared to 2012."

"LCH.Clearnet continues to maintain a focus on cost discipline although operating expenses are up reflecting investments made in 2012 to grow the business and respond to regulatory change."

"[We] remain confident of its strategic position in the market, given customer demand and regulatory changes are creating enhanced opportunities for clearing and risk management services globally."

BNY Mellon tweaks transfer agency offering

BNY Mellon has made more adjustments to its global transfer agency offering with a new retrocession servicing capability that enables asset managers to process fees and commissions more efficiently.

The latest enhancement could reduce operational and financial risk by eliminating the manual intervention that is typically required when terms and conditions are established between asset managers and contracting parties as part of distribution agreements.

"Clients also benefit from more flexible data importing capabilities, which eliminate workarounds and manual entry, when it comes to the provision of data for trailer fee calculations, which historically have posed issues due to a lack of standardisation," said a statement from BNY Mellon.

Jon Willis, head of transfer agency for Europe, the Middle East and Africa, the Asia-Pacific at BNY Mellon, said: "We are looking to lower operational and financial risk for both transfer agents and asset managers. This new process is safer and more transparent, and reduces financial risk through embedded asset control."

He added that the new capability means the bank would be well positioned to accommodate the requirements that will emerge under a single operating model, as well as the changes resulting from regulatory reforms.

To facilitate these enhancements, BNY Mellon has partnered with abraxas, a software development company.

Paladyne secures rights for Numerix risk offering

Broadridge company Paladyne Systems has secured the source code, development rights and unlimited distribution rights for Numerix Portfolio Risk.

Paladyne has completed the integration of Numerix Portfolio Risk into its front-office solutions. OMS, portfolio accounting, risk management and hosting are now provided in a single solution. It has also hired the Toronto- and Hong Kong-based development teams that built and support the product.

The solution, branded as Risk Master, is an enterprise or departmental solution for prime brokers, banks, broker-dealers, fund administrators and asset managers.

Sameer Shalaby, president of Paladyne Systems, said: "Data quality is one of the most important factors in the effectiveness of risk decisions. The combination of order management, portfolio accounting and front-office risk management with reference data provides a complete solution that will lower costs and help clients focus on growth."

"To support this product introduction, we have entered into a long-term strategic partnership with Numerix to use their CrossAsset library as our primary source of analytics. This gives us a strong foundation on which to develop and invest in our solutions, and to continue to meet the needs of our most demanding clients."

Steven O'Hanlon, Numerix CEO and president, added: "We are excited to enter into this long-term strategic partnership. We continually seek innovative opportunities to accelerate the adoption of our core CrossAsset analytics."

"Paladyne's ability to integrate Numerix Portfolio and CrossAsset into their offerings, and Broadridge's global client base, provides this opportunity to expand our product footprint, while enabling us to align more resources to the development of our risk scenario and calculation platform."

Broadridge launches SWIFT global electronic trade confirmation

Broadridge Financial Solutions has launched a solution for SWIFT Global Electronic Trade Confirmation (GETC).

The solution enables sell-side institutional brokers to optimise their service provision to institutional fund managers through a fully automated confirmation and affirmation process for trade allocations, said a statement from Broadridge.

The Broadridge solution supports SWIFT GETC messages (MT515, MT509 and MT517) on a global basis, and provides operational control through full transparency of the message generation, flows and statuses.

When an affirmation message (MT517) is received, a SWIFT MT54X settlement message is released, allowing clients to efficiently manage and control their post-trade activities.

The solution extends the range of confirmation-related market services already supported ,which includes Omgeo's Central Trade Manager (CTM) and OASYS Global, and SWIFT's Accord for Securities.

"We have worked closely with SWIFT to ensure support for the mutual client base interested in GETC," said Phil Dobson, director of strategy and product management at Broadridge.

"We will continue to keep our solutions aligned to market advancements for a range of service providers. The proposed introduction of shortened settlement cycles in some markets in 2014 will put even greater emphasis on timely and efficient confirmation and allocation processes."

SmartStream supports SWIFT's GETC solution

SmartStream Technologies has announced that its TLM trade process management solution now fully supports SWIFT's Global Electronic Trade Communication (GETC) solution.

GETC uses SWIFT ISO 15022 messages to provide a standardised process for matching fixed income and equities trades for both buy and sell-side firms.

As the post-trade world still has a large amount of manual processing, GETC enables clients to reuse their existing SWIFT infrastructure to create a standardised and automated approach to confirmation matching. GETC also minimises operational risk, increases STP and reduces the costs of post-trade processing.

Dr Darryl Twiggs, head of product management at SmartStream Technologies, said: "With the ever increasing pressure to reduce costs in the middle and back-office while at the same time lowering the risk of failed or late trades, customers are looking for alternative post-trade solutions. By supporting the GETC solution our customers now have more options for handling post-trade processing."

"In addition to supporting the automation of allocation only or block allocation confirmations, SmartStream's TLM Trade Process Management solution offers the complete automation of the transaction across the middle and back-office from point of execution to settlement."

Paul Taylor, director of new business development for global matching at SWIFT, added: "It is a pleasure to be working with SmartStream to make our GETC local confirmation solution even more accessible to the marketplace."

"By supporting the use of GETC, and providing an installed local matching engine that accepts GETC messages, SmartStream is making a great contribution towards helping the community drive out cost and risk from this vital post-trade function."

Kepler Capital Markets expands SunGard's use for access to UBS

Kepler Capital Markets, a European financial services firm, has expanded its use of SunGard's solution to add access to UBS MTF.

Kepler already uses SunGard's Valdi for access to numerous other trading venues, including BATS Chi-X Europe and other European stock exchanges. The firm expanded its use of Valdi as part of its plans to achieve agile growth through new market access.

"UBS MTF has a clear objective to provide high quality liquidity to UBS clients and members. Efficient and effective provision of access by SunGard helps give firms an easier way to go live and access the liquidity of UBS MTF," said Richard Semark, CEO of UBS MTF.

Thomas Biotteau, head of execution for Kepler Capital Markets, said: "SunGard's Valdi smart order router and SaaS-based connectivity services help us achieve price improvements for our clients by helping us capture the liquidity available on existing and new trading venues. Valdi also helps us find liquidity that is unavailable to other brokers. In addition, it helps us lower our overall trading costs, creating savings that we can share with our clients."

The rising star that is RMB

The SWIFT RMB Tracker showed a 32.7 percent growth in value of Chinese RMB payments globally in the last month.

France holds the leading position of euro countries exchanging RMB payments, following a 249 percent growth in payments value since March 2012. According to SWIFT, France is now ranked number four in the world for RMB payments value (excluding Hong Kong and China), trailing behind the UK, Singapore and Taiwan.

SWIFT also noted that 95 percent of RMB payments made were institutional transfers, while only 5 percent were customer payments.

Lisa O'Connor, RMB director at SWIFT said: "This is an interesting development as it signifies France's drive to become a leading RMB trading centre for Europe. French acceleration in RMB payments reflects increased competition with the UK since the Bank of England announced that it had signed a three-year currency swap agreement with China in March."

She added that it will be interesting to see how France's work towards setting up a currency swap agreement with China progresses, and the impact that this activity within Europe may have on the RMB.

Overall RMB payments grew in value by 32.7 percent, in comparison to the average increase of just 5.1 percent across all currencies.

BlackRock stacks iShare products high on Euroclear platform

Investors will be able to invest in exchange-traded funds (ETFs) like mutual funds at daily NAV price following the inclusion of 50 products from iShares on Euroclear's FundSettle fund processing platform.

The iShares products are the first ETFs on the platform, which hosts more than 65,000 mutual funds, linking fund managers with third-party distributors such as private banks and wealth managers.

BlackRock and Euroclear will initially make the service available in the Netherlands, but are exploring ways of offering ETFs in this way to other European markets.

FundSettle will now enable end investors to buy and sell shares in ETFs like mutual funds, at the end-of-day NAV, and therefore offer an additional means of accessing the products.

BlackRock and Euroclear expect ETF use to grow in the Netherlands as financial advisors move to build portfolios that use ETFs and mutual funds together.

Leen Meijaard, head of iShares sales in Europe, the Middle East and Africa, said: "There is great interest in ETFs at the moment as the market moves towards a model without retrocessions and many investors want to be able to buy ETFs like mutual funds through their bank or wealth manager. Adding these iShares to FundSettle's platform will help Dutch investors to build and manage a portfolio in a straightforward way."

Jo Van De Velde, head of product management for Euroclear, said that by meeting clients' demand to execute their ETF orders via FundSettle, the firm was effectively allowing investors to purchase ETFs in the same way as their mutual fund investments.

The 50 iShares ETFs have been selected in response to Dutch client demand and offer access to stocks and bonds in both developed and emerging markets. Products include the iShares MSCI Europe ETF, the iShares S&P 500 ETF and the iShares MSCI World ETF.

Susquehanna Financial Group extends relationship with SunGard

Susquehanna Financial Group has extended its relationship with SunGard's Protegent Trading Compliance as the firm's platform for trading compliance of its institutional equities trading business.

Susquehanna Financial Group is the institutional broker-dealer member of the Susquehanna International Group of Companies (SIG).

"To help Susquehanna Financial Group maintain its high standards with regard to regulatory compliance, SunGard's Protegent Trading Compliance will continue to help the firm achieve a competitive advantage by automating the compliance lifecycle and helping to minimise regulatory risk," said Steve Sabin, COO of SunGard's Protegent.

Susquehanna Financial Group also recently announced that Brian Nowak has joined the firm as the senior analyst covering its US internet sector—joining from Nomura Securities.

Chapman's Eye on the market

East is best?

Your intrepid correspondent reports from a muggy Hong Kong where we have just opened up our newest office, in response to growing client and candidate demand in the region. It is easy when one compares the East with the West in quick succession that the differences are seen in stark contrast, invariably to the detriment of the former location.

Hong Kong—and, for that matter Singapore, my next destination on this particular trip—has a bustling, hectic feel to it coupled with a trading mentality and a vibrancy that has not been seen for some time in the UK.

Yes, Hong Kong has suffered somewhat from the global downturn, as well as nagging doubts about the sustainability of the 'Chinese growth miracle', but there is still a tangible momentum in place. Singapore, for its part, is a growing funds hub, ably abetted by the proximity of the highly regarded local operational centre of Kuala Lumpur, which provides support for HSBC and RBC, among others.

However, before anyone wishing to swap their pin-stripes for colonial linens and sunglasses dashes off a hastily-written letter of resignation and jumps on a plane, various realities and practicalities should be borne in mind when considering a move East.

These include, but are certainly not limited to: the distance from loved ones and possibly ageing relatives back home; the heat and humidity (which in Singapore is constant); the cost of housing and schooling; and last but not least, should the Chinese bubble burst then the ticket to a new life can quickly become a fatal career mis-step with no route back. You have been warned!

Paul Chapman, managing director, HornbyChapman Ltd

Mandate Mangle

FinEx Group has chosen **BNY Mellon** to provide custody and fund administration for its Russian exchange-traded fund (ETF).

The new ETF was launched on the Moscow Exchange and will track the Barclays EM Tradable Russian Corporate Bond index.

Joseph Keenan, head of global ETF services at BNY Mellon, said: "Russia is an enormous untapped market for ETFs and it is highly likely we will see accelerated development of ETFs that offer investors greater exposure to Russian securities over the next 12 months."

"While we believe the most likely ETFs to emerge this year will be equity-based, in time, we would also expect Ruble-denominated fixed income exchange traded products and a greater range of commodity and real estate exchange-traded products (ETPs) in the near term. The creation of Ruble ETPs should accelerate quickly as regulators allow global fund managers into the market, bringing their demonstrated expertise in structuring specialty financial products."

TwentyFour Asset Management has selected **Northern Trust** to provide custody, fund accounting, financial reporting, compliance and company secretarial services to a new asset-backed securities fund, domiciled in Guernsey.

TwentyFour Asset Management is an independent fixed-income specialist based in London with £1.7 billion in assets under management.

"This new asset-backed securities fund is just one of the many kinds of innovative fund structures suited to Guernsey's pragmatic approach to financial regulation and highly developed professional support infrastructure," said Paul Cutts, country head at Northern Trust Channel Islands.

"As Guernsey's largest fund administrator and custodian, Northern Trust is delighted to work with TwentyFour Asset Management as they focus on capturing investment opportunities."

"Northern Trust were willing to work closely with us to understand our unique requirements," said Nick Knight-Evans, partner and COO at TwentyFour Asset Management.

"Their experience in supporting other kinds of complex fund structures as well as their integrated range of asset servicing solutions, were key factors in their appointment"

Banco General has appointed **BNY Mellon** as trustee, registrar, transfer agent, paying agent and securities intermediary for its $100 million diversified payment rights (DPR) bond issuance, which is the first DPR programme in Panama.

Francisco Sierra, CFO at Banco General, said: "We chose to work with BNY Mellon because of their extensive track record and experience in DPR securitisations and the strong relationship we maintain with them."

Hector Herrera, managing director of international and cross border sales at BNY Mellon, said: "We expect to see an increased interest in DPRs as more issuers seek alternative sources of funding in anticipation of the new regulatory environment of Basel III."

"We are committed to servicing the growing needs of issuers across Central America, and our appointment on this programme illustrates the market's trust in our global capabilities and expertise."

William Blair & Company, a global financial services firm with $50 billion of assets under management, has appointed **Northern Trust** to support its Luxembourg-domiciled Fonds Commun de Placement (FCP).

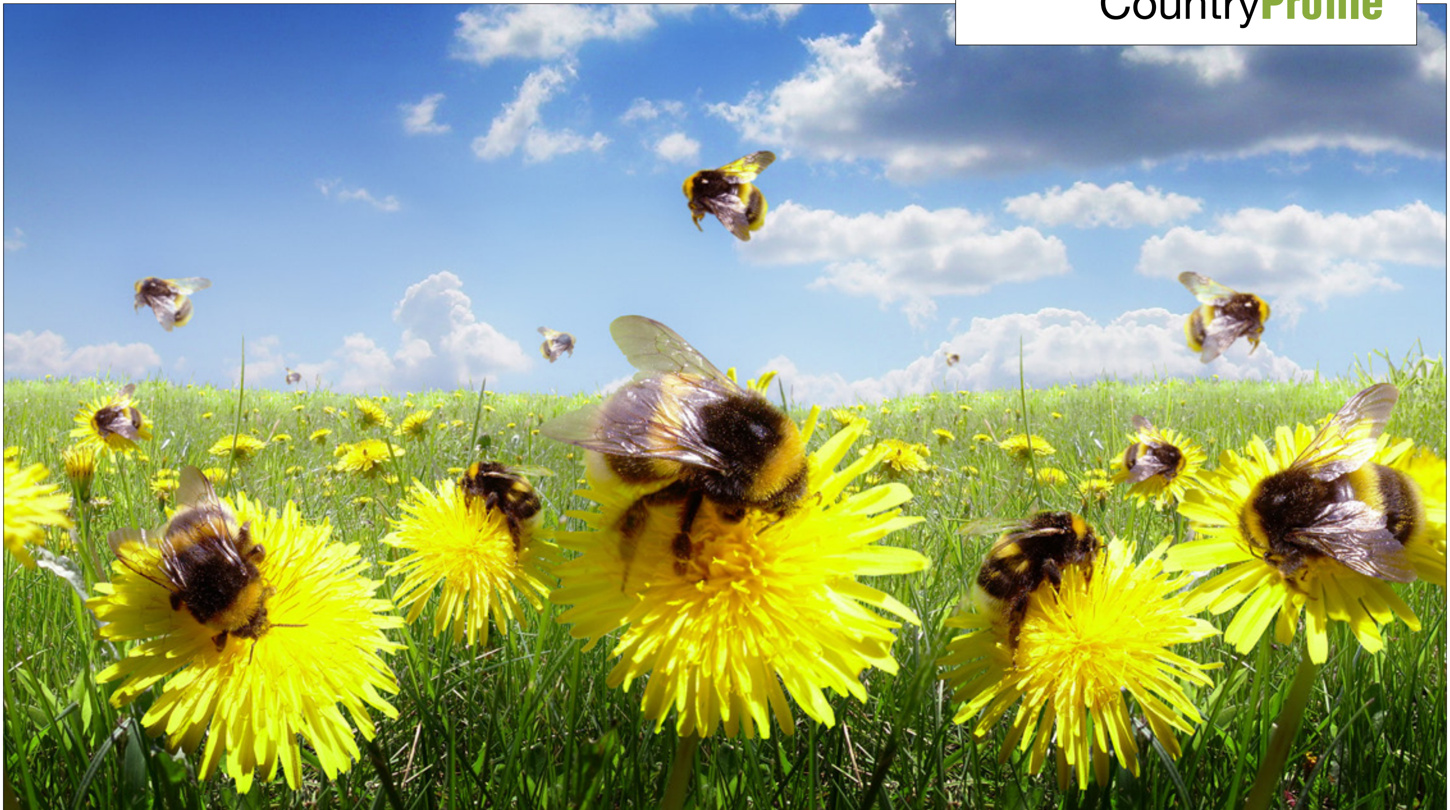
The William Blair FCP provides a tax-efficient fund vehicle aimed at benefiting non-US based investors.

Northern Trust will provide global custody, fund administration, investor-level tax withholding and management company services for the FCP, a tax-transparent entity established in Luxembourg through which investors may qualify for reduced withholding tax rates on equity dividends.

William Blair selected Northern Trust for its expertise in developing and supporting contractual funds that optimise tax transparency and reduce withholding tax drag.

"The addition of a tax-transparent fund structure to the existing William Blair fund line-up is strategically important, given our success in attracting non-US investors to our investment strategies," said Rick Smirl, COO of William Blair Investment Management.

"The FCP delivers the benefits of US tax treaties to eligible investors and provides them with a tax-efficient fund option. Over time, we expect increasing investor interest in our FCPs, and we believe Northern Trust can support this expansion on a global scale."



Like bees to a honeypot

Standard Chartered's acquisition of Absa's custody business could be vital to a country primarily known for its domestic market, as AST finds out

GEORGINA LAVERS REPORTS

It was the first big piece of custody news to come out of South Africa for a while. In April this year, Standard Chartered announced that it was in the process of buying the South African custody and trustee business of Absa Bank.

Absa is one of the big four consumer banks in South Africa, and a subsidiary of Barclays, which has had a 62.3 percent share holding in the bank since May 2005.

Barclay's acquisition came under fire from governor of the South African Reserve Bank at the time, Tito Mboweni, who said he "had yet to see the benefits of Barclays' management of Absa" and described its proprietary share in the bank as "discouraging."

Standard Chartered's acquisition will almost certainly be less controversial, and the bank prides itself on significant investment into its African franchise. As well as organic investment, the group acquired First Africa, an African M&A advisory business, in 2009, and Barclays' Africa custody business in 2010.

The bank announced the opening of two new wholesale banking corporate offices in South Africa, in Cape Town and Durban, and over the past two years 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, said at the time that the continent was an important strategic opportunity for the bank and its 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."

Standard Chartered's Africa business has delivered average annual growth of 15 percent for the past five 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 over $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 the firm. "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."

It is unsurprising that the region is starting to attract foreign banks. With the largest economy in Africa and a GDP of around $578 billion, it is a key investment location, both for the market opportunities that lie within its borders and for the ability to use the country as a gateway to the rest of the continent.

The country has received the largest share of foreign direct investment in the African continent, with the figure rising more than five-fold from $1.2 billion in 2010 to $6.4 billion in 2012—and representing 25 percent of Africa's inflows last year.

"South Africa is the largest and most developed capital market in the region on par with developed market," says Hari Chaitanya, the regional head of investors and intermediaries in Africa for Standard Chartered.

"Other countries in Sub Saharan Africa are in different stages of development in respect of their clearing and settlement infrastructure compared to the developed market, and products used in these markets are often much more limited compared to developed market or South Africa. However, local regulators are focused on developing regulation that is in line with the developed markets and Standard Chartered sees significant benefits to clients in being able help navigate these markets."

Until just two years ago, the four domestic banks—Standard Bank, FirstRand Bank (the operators of First National Bank), Nedbank (owned by Old Mutual), and Absa Group—were the primary players in the custody market.

But, comments Chaitanya, this profile is rapidly changing with the entry of international banks. “Since the inception of Strate Ltd in 1999, the domestic market has been dominated by local players with limited global players. However this trend has changed with Standard Chartered Bank being the second global player entering the market in the last two years, and this trend is forecasted to continue. The main driver behind this is that South Africa is largest capital market in Africa and thus provides scale and a good platform for expansion into the continent. The ongoing relaxation of exchange control also increases the value proposition in servicing these clients in their respective investment destinations.”

Needs and wants

Chaitanya comments that, like so many other countries globally, South Africa’s custody needs all focus around efficiency, rapidity, and linkage. “A custody services provider in South Africa is required to have a high level of STP, the ability to handle various financial instruments, and the ability to provide linkage with other markets in Africa and other regions. South African asset managers have been increasingly looking for investment opportunities in offshore markets and prefer to operate via single provider for both domestic and offshore assets. In comparison, other African markets are primarily dominated by global and domestic investors investing in local markets.”

These needs were first met with the introduction of Strate, a licensed central securities depository (CSD) that electronically settles financial instruments in the country. Strate handles the settlement of a number of securities including equities and bonds for the Johannesburg Stock Exchange (JSE) as well as a range of derivative products such as warrants, exchange traded funds (ETFs), retail notes and tracker funds. It has now added the settlement of money market securities to its portfolio of services.

Since its inception, the CSD has aimed to bring efficiency to South Africa’s capital markets by standardising processes in the administration of securities by market participants, and aligning these with global best practices. “The integrity of the market has also been raised by ensuring that participants contribute to the development of the market,” comments Chaitanya.

“Strate has made significant contribution in mitigating risk, bring efficiencies to the South African financial markets and improving its profile as an investment destination.” He also points to the important statistic of it being the first non-European member of Link Up Markets, a joint venture between CSDs created to improve efficiency and reduce costs of post-trade processing of cross border securities transactions.

“Recently Strate has joined the Liquidity Alliance with ASX (Australia), CETIP (Brazil), Clearstream (Luxembourg) and Iberclear (Spain) to exchange information, identify common needs and to extend global collateral solution.”

As for whether African CSDs will play a bigger part in African securities markets, Chaitanya says that an efficient securities market infrastructure is a pre-requisite for attracting global investors.

“Capital markets will play increasingly important role in growth of Sub-Saharan African countries to mobilise savings and provide capital raising opportunities for domestic companies … African countries have been working towards this objective since last few years. Now every market has a functioning securities market infrastructure (by way of stock exchanges, securities depositories, and clearing systems). Zimbabwe—the last physical market in the region—also plans to have a central depository during this year.”

“African CSDs will play a key role in improving clearing and settlement infrastructure in partnership with stock exchanges and central banks, and enabling capabilities like securities financing, securities lending and collateral management.” **AST**

Slow but motivated

South Africa is finally starting to catch onto class actions, says Stephen Everard, Goal Group’s CEO

Global investors are entitled to protect returns on their investments and there continues to be increased emphasis on dividends as a method of delivering shareholder returns. In the last 10 years earnings from dividend payments have grown. Even taking into account the natural suppression of dividends paid after the financial markets crisis, in line with suppressed profits, the culture of the dividend is far stronger now, compared with the 1990s, when returns were often predicated solely on capital growth. So, more and more companies are now paying a dividend, and those who have historically done so are looking to increase the dividend payout year-on-year.

Many African nations are going through a period of rapid growth—as much as 6 to 7 percent per annum in certain instances. However, in contrast, growth in South Africa has stalled, motivating South African investors to put their funds into foreign stocks and shares. For example, at the end of 2011, South Africa had $135.5 billion assets invested abroad, compared to just over $64.5 billion in 2008, effectively almost doubling foreign investment in just four years.

Dividends on cross-border shares and yield from foreign bonds are subject to withholding tax and every year billions of investors’ rightful returns from their foreign shares and bonds are lost because withholding tax on dividends and income is not being properly reclaimed. 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.

South African fund managers and custodians should also be protecting returns on investments by paying attention to and, where relevant, participating in securities class actions that seek restitution for investors where corporate misdemeanours have taken place. Although the US is still the most developed and dominant centre, securities class actions are fast becoming a truly global phenomenon.

South Africa has now also joined the ranks of countries around the world who are making class actions a reality, as the Supreme Court of Appeal has confirmed that class actions are possible in South Africa. This is not only for an infringement of a right contained in the Bill of Rights, but also more generally, and the procedural requirements have been set out. This looks set to pave the way for securities class actions going through South African courts.

Over the last few years it has become clear that fund managers and custodians have a fiduciary duty to ensure that their clients participate in securities class actions that may recoup some of their investment losses. These recent developments reinforce the need for fiduciaries in South Africa to be monitor potential litigation closer to home as well as in venues around the world.

A recent Goal Group analysis of its class actions knowledge base predicts that by 2020 annual securities class action settlements outside of the US will reach $8.3 billion. The study also forecasts, however, that by the end of the decade $2.02 billion of investors’ rightful returns will not be recouped each year.

Taking part in securities class actions can be a lengthy and complicated process, and similarly tax reclamation rates, rules and timings vary widely around the globe, making the reclamation process very complex. However, there is no excuse for fiduciaries not monitoring and participating in class actions and withholding tax reclamation as there are a number of service providers that minimise the complexity and cost of these activities.

The two Es that dominate the Asian market

Northern Trust's recent expansion of its fund administration business in Hong Kong raised some interesting questions on demand. AST takes a look

GEORGINA LAVERS REPORTS

In April of this year, Northern Trust expanded its fund administration and custody capabilities to support locally domiciled Hong Kong funds, including exchange-traded funds, as well as other regional investment funds.

And the planning, says Clive Bellows, country head of Ireland at Northern Trust, was prolific. "It's a new domicile, so that takes some time to plan and get all the right structures in place."

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. Bellows added that the decision was driven by Northern Trust's big global clients; looking to increase their distribution in Asia, and not always able to get UCITS funds authorised for distribution.

"UCITS has already got a strong record in Asia, but some domiciles such as Hong Kong are making it more difficult to distribute the UCITS product," he says. "We see fund managers as a result looking to either go local, or have a market like Hong Kong switched on for them."

"As a result, they're now starting to plan to launch local fund products, so from our perspective, being able to support them with this was an important evolution of our global product offering."

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 exchange-traded funds 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.

"There are two products dominating the market at the moment—equity and ETFs," says Bellows. "Asian investors are traditionally very pro-equity, and I think we'll continue to see growth in that region. Given ETFs are equity driven products, we can also expect to see growth there."

Bellows adds that the firm believes the Asian ETF market will evolve in a similar way to the European ETF market—and the fact that Northern Trust can support various ETFs, and that its capabilities can be easily translated for an Asian market will only be a plus.

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.

Camie West, head of global fund services in Asia for Northern Trust, said at the time that the firm recognised the significant demand from investors, asset managers and regulators for local products in the Hong Kong and greater China markets.

"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," he added.

Paul Fahey, head of product and strategy for global fund services, said that 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.

As to why, Bellows comments that when looking at Asia, there are two sides to the coin. "One is, can I get my fund distributed? And the second one is the investment opportunity, and trying to have control. Fund managers are looking for increased distribution and if they can't get it via UCITS, then they will need to go local."

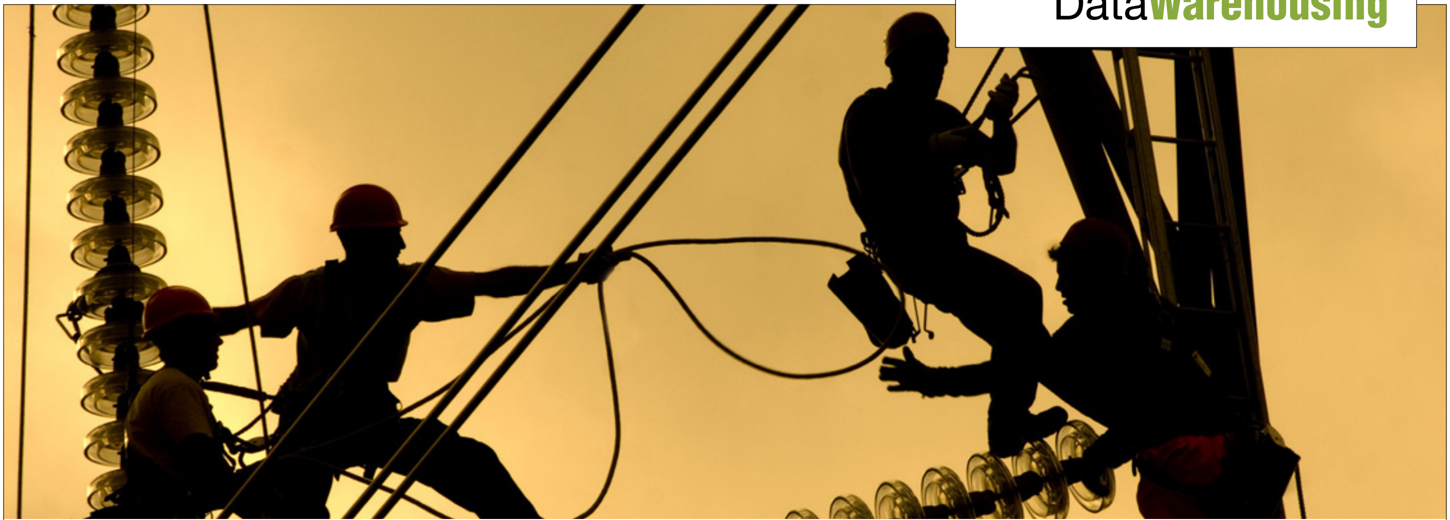
"There is also another very interesting development, which is that the Chinese government is loosening up its quotas and to make it easier for a Hong Kong domiciled fund to get a quota than some international products. Again, I think that may be attractive to some fund managers because it potentially gives them quicker access to investing into China," says Bellows.

Most recently, Northern Trust appointed Brian Ovaert as its Hong Kong country executive in order to cope with the new demands of its expanded fund administration business. Ovaert is a 21-year Northern Trust veteran, relocating from Bangalore.

He will oversee both the expanded Hong Kong office and the Northern Trust sales and relationship teams, who deliver global custody, fund administration, investment operations outsourcing and asset management solutions for institutional clients in the region.

Northern Trust opened its Hong Kong office in 1995 and moved to larger quarters on Queensway in 2012 to accommodate growing numbers.

Significant recent additions to the Hong Kong staff also include Bradley Blackwell, sales and relationship management for securities lending clients in APAC and Elmen Lo, relationship management for asset servicing clients in the North Asia region. **AST**



The dangers of being a human

Volta, housed in Great Sutton Street, is Central London's first new data centre in a decade. Julian King explains how the service will benefit custodians

Put simply, data centres are designed solely to house IT equipment in a resilient, secure and cost effective environment. Customers benefit from reliable power, cooling, and will be well connected to the outside world.

The demands of data processing and storage are only increasing. As a global custodian or asset servicing firm, you are under increasing pressure to be able to store your data, back it up and readily access it for client reporting purposes.

If as a global custodian, you have a regional presence in London, you will likely need some form of London-based storage. Similarly, if your main custody focus is in Asia, you need to have backup there too. Having a central London location offering connectivity out via the major carriers, will enable you to securely and resiliently store and access the ever-increasing amounts of data and connect all of your custodian and reporting requirements.

Within the data centre sector, different sites appeal to different customers. There are huge facilities located mostly outside the M25 as well as in central London, of which Volta Great Sutton Street is the newest. Our data centre is located in the heart of the City, media in Soho and the ever-growing TechCity entrepreneurial communities. Originally the data centre was operated by Reuters and was, at the time, the primary portal for the supply of all the financial information used in the City of London. Over time, the facility was used by Radianz a subsidiary of Reuters which was later sold to BT and known as BT Radianz. Latterly the facility was operated by BT.

When BT made the decision to vacate the site, Volta Data Centres jumped at the opportunity to purchase the building as we could see the enormous potential the centre had to offer and could make the sizeable investment to undertake the complete strip and fit out the facility required. One of first initiatives was to contract with UK Power Networks for a new power supply. At the time, the building had 2.8 megawatts of power; today we have 9.6 megawatts. It is delivered at a higher voltage as well, which makes it more resilient. The supply is diverse, fed from two parts of the national grid. In very simple terms, the only way in which Volta could ever lose power would be in a highly unlikely event of the power failing across the whole of London. Even then we would turn to our back-up systems designed to tide us through any outage.

We will be open for business in Q2 this year when the refurbishment will be complete. The basement and ground floors carry all of the electrical equipment and incoming power supplies; we offer four floors of data space in the form of racks and caged areas, and the chillers that remove the heat are located on the roof.

Power is important—of course—but every data centre needs carriers, as much as carriers need data centres. Today we have some eight tier one carriers running their own fibre into the data centre. Our goal is to offer our customers the fastest speeds of interconnectivity.

At this stage, we are in discussions with a wide variety of firms to sign them up. We are aiming at the smaller scale users, retail rather than wholesale customers. The huge data centres around the M25 sell space in much larger quantities and that makes perfect sense. If you don't need to be in central London for proximity, location and latency reasons, you probably wouldn't put your IT equipment here. The requirements in Central London tend to be on a smaller scale and are much more specific.

Interest so far indicates that a large proportion of our clients will be financial services firms, which rely on the connectivity we can offer and the speed of connectivity to the various trading venues in Slough and Basildon. We may well find that big banks which have significant facilities outside of London come to us for to specific trading and latency purposes. We are in discussions with a couple of large investment banks already. For them, we offer an alternative that may not have been available to them in the past.

There has been a trend towards outsourcing to data centres from about 2003. Historically, large corporates used to convert offices in their buildings into data rooms to house their IT. As servers became more power-hungry and as the amount of equipment required increased, those areas just couldn't supply sufficient power, cooling or weight-bearing capability. Firms realised the cost and operational benefits of moving their equipment into third-party buildings designed specifically for this purpose.

In the financial services sector sadly 9/11 marked a fundamental shift. There has long been a requirement for data duplication, however, firms which hosted their back-up with their primary data in a single location or in a location nearby were impacted severely, and contingency planning shifted. Not only did firms have to manage their liquidity and counterparty risk, firms now have to geographically separate their back up sites to mitigate against continuity risk. **AST**

Julian King
Commercial director
Volta Data Centres

Industry appointments

BNP Paribas Securities Services has hired **Darren Banks** to lead the development of the UK trustee and depository business.

James McAleenan, head of the UK at BNP Paribas Securities Services, said: “Darren Banks brings a wealth of knowledge and expertise to our business and we are pleased to have him on board.”

“He will be responsible for growing the UK trustee and depository business enabling us to become the partner of choice and a differentiator by truly leveraging a pan-European approach to depository services rather than the traditional UK-centric view.”

Banks joins from State Street Trustees. In his 12 years at State Street, Banks held various roles and was involved in the strategic development of the business arising from regulatory developments in Europe and the UK.

ECSDA’s annual meeting in Prague saw members of the European Central Securities Depositories Association elect a new board of directors and executive committee.

Eddie Astanin, chairman of the executive board of National Settlement Depository (NSD), Russia’s central securities depository, was elected to the board of directors and as executive committee of the association.

The members of ECSDA’s board of directors share responsibility for the administration and management the association and attend the meetings at least twice a year. ECSDA directors are elected for three years.

The members of executive committee of the association are responsible for current administrative issues.

ECSDA represents 41 national and international central securities depositories (CSDs) in 37 European countries, and aims to provide a forum for European CSDs to exchange views and take forward projects of mutual interest.

Christian Behaghel has been hired as head of global transaction banking (GTB) and deputy head of global transaction and payment services at Societe Generale. He will report to Pascal Augé, head of global transaction and payment services.

In his new role, Behaghel will drive Societe Generale GTB’s development strategy by supporting its client base of corporate and financial institutions in the management of their global relationships.

Behaghel will have direct supervisory responsibilities for Societe Generale GTB’s four main business lines: corporate cash management, cash clearing/correspondent banking, international trade financing services, and factoring.

Jeremy Hester is the new head of sales for Northern Trust’s global fund services business in the UK.

He will be responsible for offering investment operations outsourcing, fund administration and the full range of asset servicing solutions, to investment managers domiciled in the UK.

Hester joined Northern Trust in 1994 and was most recently head of sales in Australia and New Zealand. His previous role in Northern Trust’s Melbourne office has been assumed by Angelo Calvitto who is also responsible for client relationship management in that region.

During Hester’s tenure as head of sales in Australia and New Zealand, Northern Trust extended its fund servicing business in the strategic segments of investment operations outsourcing and superannuation funds.

Calvitto, who joined Northern Trust in Melbourne in 2008, has assumed responsibility for sales in Australia and New Zealand as an extension of his existing responsibilities as head of client relationship management. Calvitto reports to Rohan Singh, country head of Australia at Northern Trust.

Kane has appointed **John Uprichard** as managing director of Kane LPI Solutions.

The new company, incorporated in Bermuda, is licensed by the Bermuda Monetary Authority under the investment funds act 2006 as a fund administrator and will operate as the head office for the firm’s life, pension and investment administration activities.

Uprichard was formerly head of businesses for LPI (life, pension and investment) a Kane and will report directly to Simon Hinshelwood, group CEO of Kane.

AST
ASSETSERVICINGTIMES

Editor: Mark Dugdale
markdugdale@assetservicingtimes.com
Tel: +44 (0)20 8663 9620

Deputy editor: Georgina Lavers
georginalavers@assetservicingtimes.com
Tel: +44 (0)20 8663 9629

Account manager: Serena Franklin
serenafranklin@assetservicingtimes.com
Tel: +44 (0)20 8663 9626

Publisher: Justin Lawson
justinlawson@assetservicingtimes.com
Tel: +44 (0)20 8663 9628

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

Company reg: 0719464

Brian Ovaert has been appointed as country manager for Hong Kong. In this role, the 21-year veteran of the bank will oversee an expanded Hong Kong office and Northern Trust sales and relationship teams delivering global custody, fund administration, investment operations outsourcing and asset management solutions for institutional clients in the region.

Ovaert comes to the Hong Kong office from Bangalore, India, where he was CEO of Northern Operating Services, which employs more than 3,000 people performing back- and middle-office investment services for Northern Trust clients.

In addition to his role as CEO of Northern Operating Services, Ovaert has been Asia-Pacific regional head of Operations & Technology (O&T) for Northern Trust since 2012. **AST**