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Polish and Russian CSDs link up

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The Central Securities Depository of Poland (KDPW) and the National Settlement Depository of Russia (NSD) have taken their first step towards establishing an operational link.

The central securities depositories (CSDs) signed a memorandum of understanding that sets out the terms of cooperation, including information exchange, fostering prosperity in their respective markets and promoting cross-border investment.

The CSDs hope to establish an operational link in the future that could enable the dual listing of companies on the Warsaw Stock Exchange and the Moscow Exchange.

"I do hope that the signed MoU will make it possible in the future to create a joint operational link," said Iwona Sroka, president and CEO of KDPW.

Eddie Astanin, chairman of the NSD executive board, added: "As a central securities depository, NSD is one of the conductors of foreign investors' capital flow to the domestic market and Russian investments to external markets."

"This model is at the core of the new relationship between Russia's and Poland's central securities depositories, which is being strengthened by the MoU we are signing."

KDPW has 19 operational links with foreign CSDs, including 10 direct links between it and a foreign CSD and nine indirect links via one of two international depositories—Clearstream Banking Luxembourg or Euroclear Bank—or in the case of Bulgaria, a custodian bank.

NSD has bilateral links with Euroclear Bank and Clearstream Banking, as well as with CSDs in Kazakhstan, Azerbaijan, Ukraine and Armenia.

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ASTINBRIEF

BNY Mellon's CSD brushes up on T2S

BNY Mellon has signed a framework agreement with the Eurosystem to allow it to outsource to the T2S settlement platform, which is set to go live in 2015.

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ConvergEx to relieve tax burdens for prime clients

ConvergEx Group's prime brokerage unit has launched Tax Optimizer to improve client control over tax liabilities.

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Polish and Russian CSDs link up

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There has been a recent spate of cooperation between CSDs, as well as announced intentions to join TARGET2-Securities (T2S).

REGIS-TR, the European trade repository owned by Clearstream, Iberclear, and NSD,recently signed an MoU to ramp up a mutual exchange of information.

The managing director of REGIS-TR David Retana welcomed the decision, saying that he believed it may pave the way for an interconnection of a trade repository within the European economic area to NSD's trade repository, allowing for exchange and reconciliation of data between both jurisdictions.

Meanwhile, BNY Mellon signed a framework agreement with the eurosystem to allow it to outsource settlement to the T2S settlement platform, which is set to go live in 2015. It joined firms such as Euroclear's trio of CSDs in Belgium, France and the Netherlands, as well as Clearstream.

BNY Mellon's CSD brushes up on T2S

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The agreement commits Brussels-based BNY Mellon CSD SA/NV to taking all necessary steps to become a part of the T2S infrastructure and to comply with the T2S governance regime.

BNY Mellon CSD SA/NV will now work with the Eurosystem to implement the required IT infrastructure and connectivity to become a part of T2S.

Chris Prior-Willeard, CEO of BNY Mellon CSD SA/NV, said: "The creation of our CSD, and our commitment to the T2S project, demonstrates our ambition to support the aims and objectives of the new regulatory environment for financial markets in Europe, which we are confident will offer clear benefits to our clients."

"In becoming a participant CSD in T2S, we will be able to enhance our clients' experience; reduce risk by offering access to central bank money; and further enhance our ability to support our business activities across Europe."

Tim Keaney, CEO of investment services at BNY Mellon, said: "As the leading provider in the investment services space globally, it is natural that we should be in the vanguard of our industry in participating in the ongoing evolution of the eurozone marketplace."

"We are committed to occupying a position at the centre of the emerging European market infrastructure. T2S is a game changer for the industry, fundamentally altering how participants interact with the European market infrastructure. As a result, it will impact the business model of those participants, including CSDs, sub-custodians, global custodians and multi-direct clearers."

Jean-Michel Godeffroy, chairman of the T2S board, said: "We are glad to welcome BNY Mellon CSD into the T2S community. The fundamental objective of T2S is to contribute to making Europe a better place to invest. T2S is an open system that will allow all CSDs, whether established or newly-created, to find and exploit new business opportunities."

Incorporated in Belgium as a non-bank subsidiary of The Bank of New York Mellon Corporation and regulated by the National Bank of Belgium, BNY Mellon CSD SA/NV will offer issuer, settlement and safekeeping services.

ConvergEx to relieve tax burdens for prime clients

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Clients of ConvergEx Prime Services, which include hedge funds, family offices, mutual funds and investment advisors, will be able "to better understand and customise their tax lot closing methods", enabling capital gain and loss allocations to be itemised "in a more efficient manner".

"We maintain a constant effort to offer products that stay one step ahead of our customers' needs," said Douglas Nelson, CEO of ConvergEx Prime Services. "While the 2013 tax reporting season may seem like a far off

event, customers would be wise to begin planning for it now so they are fully prepared come next April."

Front-to-back transparency hits the shelves

Misys, an application software and services company, has released Sophis VALUE v5, a buy-side solution aimed at increased levels of transparency for traditional and alternative asset managers in their pre-trade activity, portfolio and risk management, and back-office processes.

Jean-Baptiste Gaudemet, director of Sophis product management at Misys, said: "Regulators and investors are demanding greater transparency in risk management and reporting, while market drivers increase demand for all-weather funds that perform across a variety of investment cycles."

"Investment management firms need a system that can handle new asset classes at short notice and scale them over time, without placing additional strain on operations and costs. Sophis VALUE v5 offers agility and reliability to allow the buy-side to grow their business with minimum disruption and investment."

Misys Sophis VALUE is a cross-asset portfolio and risk management system for the buy-side that handles workflow from pre-trade to fund administration.

Pershing and BNY combine bank and brokerage custody

Pershing Advisor Solutions and BNY Mellon's wealth management advisory custody group have consolidated their bank and brokerage custody offering into a single service.

The combined offering will provide business development, relationship management, client service and technology under a single framework.

Mark Tibergien, CEO of Pershing Advisor Solutions, said: "Registered investment advisors who serve clients with complex financial lives often use a bank custodian for one type of client or account, and a brokerage custodian for different circumstances."

"Some high net worth clients prefer the perceived safety and soundness of a bank, or use a bank for trusts, foundations and multi-generational relationships, while others prefer the efficiency and support they get from a brokerage custody platform—this allows advisors to now offer the best of both to clients."

Paladyne develops its GoldenTree partnership

Paladyne Systems has expanded its partnership with GoldenTree Asset Management, with the firm implementing new products at its data warehouse solution throughout the organisation.

GoldenTree has upgraded to Paladyne Analytics Master 8.0, which was released last year, as a locally installed data warehouse solution and real-time conduit to SunGard VPM.

Bill Christian, COO of GoldenTree Asset Management, said: "We are extremely pleased to expand our partnership with Paladyne and provide additional value to our businesses and clients."

"We were able to implement a robust data warehouse management solution with which we have rapidly introduced new functionality and reporting, at less expense than what other vendors said would take years to actually build."

Sameer Shalaby, president of Paladyne Systems, added: "Asset managers today face the challenge of managing and accessing real-time and historical data in a 'golden copy' solution that can integrate with their other systems and is cost effective and easy to implement."

"We designed Paladyne Analytics Master to seamlessly integrate with other vendor products to aggregate firm-wide data including portfolio accounting, risk management, reference data, pricing and other critical data sets to meet data warehouse, management, regulatory reporting needs, analysis and decision making."

New service for OTC instruments and interest rate benchmarks

Rate Validation Services (RVS), a provider of evidence-based benchmarks, has released a service for OTC instruments and interest rate benchmarks.

RVS Qualitative Evidential Data (QED) aims to delivers global, scaleable benchmark services, processing large volumes of data securely, 24/7 and in near real time.

It automates the collection of all types of data calculating accurate benchmarks at any given time, in any jurisdiction; then sends the relevant benchmark data to the contributing banks, through its data gateway, in the format of the bank's choice.

The first services available on the new RVS QED platform are benchmarks for non-centrally cleared OTC instruments and a turn-key solution for submissions contributing to the calculation of Libor, Euribor and other interest rate benchmarks.

Kevin Milne, CEO of RVS, said: "Our new platform is a significant step in the evolution of benchmark provision, providing certainty to financial markets through benchmarking services based on evidential data."

"In particular, the automation of data collection through the RVS QED service reduces the risk of malpractice and manipulation of benchmark rates, improves capital efficiency and provides greater confidence in the financial markets."

"Banks are already making significant strides in adding a measure of certainty in their rate submission process by using transaction data to retrospectively validate their submissions. This service will enable them to take these improvements further by automating and validating their submission process in near real time."

Celent welcomes Information Mosaic's risk assessor

Celent has endorsed Information Mosaic's launch of IMValue, a set of industry endorsed KPIs and tools that allow financial institutions to capture, predict and intervene on potentially risky situations in their post-trade environment before they happen.

David Easthope, research director of Celent, said: "The post trade market is undergoing tremendous transformation and placing extraordinary demands on operations to adapt. However, due to the lack of solid analytical data, managers are increasingly challenged to quantify the results, show true risk mitigation and substantiate the value of further investment. There is an appetite for analytics."

Gerard Bermingham, senior vice president of business strategy at Information Mosaic, said: "It is great to receive recognition from the industry of Information Mosaic's solution in the post-trade environment. We have used our extensive experience of post trade processes to develop a solution around optimal models of operational processes using real time analytics which is a first for the market."

"By setting high standards of quantifying and predictive data analytics asset managers and financial service providers can go beyond regulatory compliance and start to unlock new business opportunities and the cost of getting it wrong."

Omgeo stands behind LEI initiative

Omgeo is supporting the global Legal Entity Identifier (LEI) initiative by adding additional entity- and fund-level fields and data into Omgeo ALERT, a database for account and standing settlement instructions.

Bill Meenaghan, global product manager for ALERT at Omgeo, said: "The global LEI initiative is critical to bringing much-needed transparency to the financial markets, ultimately improving risk management capabilities and making it easier to detect market abuse across jurisdictions."

"We continue to seek ways to support the initiative and help our clients to take advantage of the benefits it can provide. Clients can now use legal entity data in ALERT to gauge their level of exposure to an entity, as well as their aggregate exposure to a parent."

Greater tax transparency needed, says Guernsey chief minister

Guernsey's chief minister, Peter Harwood, has set out the island's leadership and track record on tax transparency, ahead of the G8 and G20 meetings on the subject.

In a statement, Harwood explained that common global standards are the most effective method of fighting fraud and tax evasion.

Harwood said: "Guernsey has welcomed the recent announcement by the UK, along with France, Germany, Italy and Spain, to pilot automatic information exchange based on the FATCA [US Foreign Account Tax Compliance Act] agreements with the US (the G5 Pilot) and we support those countries' efforts to ensure that the OECD adopts multilateral automatic information exchange as a new global standard."

"Earlier this year I was able to announce Guernsey's intention to finalise a draft agreement on a proposed 'tax package' with the UK. That package included an agreement in principle to enhanced reporting of tax information along FATCA principles."

"Our agreements with the UK and the US will be subject to the proper decision-making process of our Parliamentary Assembly and will be presented to them for approval later this year."

"As I made clear in my open letter to Prime Minister Cameron of 1 May 2013, at that juncture I would be willing to present a report and a recommendation on joining the G5 Pilot."

Harwood added that that the actions taken in Guernsey emphasise that the island fully supports international cooperation on the transparency of and access to beneficial ownership information.

"We support the calls for greater tax transparency—not just with our words but with our actions. We are part of the tax transparency process, and look forward to continuing to play our part."

"The message from Guernsey is clear—Guernsey is not a jurisdiction of choice for those who want to hide."

State Street helps with Saudi Arabian funds in Ireland

State Street has been appointed to service NCB Capital's first ever UCITS platform in Ireland.

State Street will provide a range of fund administration and custody services including; fund accounting, financial reporting, shareholder services, transfer agency, trustee and global sub-custody.

NCB Capital, Saudi Arabia's largest wealth manager is the first Saudi institution to establish a non-Saudi registered range of funds in Ireland.

The firm is launching two funds on this new platform—the NCB Capital Saudi Arabian Equity Fund and the NCB Capital GCC Equity Fund.

The objective of the two funds is to generate long-term capital growth by investing in listed companies in the Saudi Arabian and Gulf Co-operation Council (GCC) markets, in line with shariah guidelines and UCITS regulations.

The two shariah-compliant funds will be marketed internationally in conjunction with Amundi and will focus on institutional investors in Europe and Asia.

The firm already manages the world's largest shariah-compliant family of funds and the world's largest shariah-compliant fund with AUM of $3.93 billion.

Jawdat Al Halabi, CEO of NCB Capital, said: "International investors are increasingly looking for new growth opportunities and nowhere are those better reflected than in the strong companies and sectors that we track in Saudi Arabia and across the Gulf region."

"With our local knowledge and significant presence we are a natural gateway for international access to a dynamic new market."

Rod Ringrow, senior vice president and head of State Street's Middle East business, said: "We recognise NCBC's need to find partners that can help them grow their business in new markets.

"I believe we have the expertise and solutions to support them as they expand further into European markets."

Northern Trust streamlines Form PF

Northern Trust Hedge Fund Services has launched an online regulatory module to help with Form PF filings.

The new tool aims to support clients in meeting Form PF and other emerging regulatory requirements through a combination of technology, consultative support, and data aggregation and reporting services.

The tool reviews Form PF filings, which are intended to disclose data on holdings and risk exposures within private funds as required by the US Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC).

“Form PF requires data from multiple sources, with many questions open to interpretation, making the filing process both complex and labor intensive,” said Peter Sanchez, CEO of Northern Trust Hedge Fund Services.

“This tool leverages the power of our technology to help clients address that complexity efficiently, without sacrificing the ability to customise data around their needs.”

“This new capability illustrates how technology can help clients address complex reporting challenges presented by a range of new regulatory regimes, starting with Form PF,” added Jeff Boyd, COO of Northern Trust Hedge Fund Services.

“Regulatory requirements are putting new pressures on alternative fund managers. By approaching regulatory compliance holistically, we can alleviate much of the burden so clients can focus on investment strategy, fund performance and their clients.”

BNY Mellon increases outsourcing with River and Mercantile

BNY Mellon will provide River and Mercantile Asset Management middle and back office solutions for assets valued at $3.1 billion.

In an extension of its existing outsourcing agreement with River and Mercantile, BNY Mellon is now providing middle office services and accounting in support of nine open-ended investment companies (OEICs) and all of River and Mercantile’s segregated funds.

BNY Mellon is also providing data management services for all those assets using technology developed by Eagle Investment Systems, its wholly-owned subsidiary. Data is consolidated, validated and enriched by BNY Mellon before being delivered to River and Mercantile; the client can then augment that data in-house to support its front office, audit and compliance requirements.

Julian Cripps, COO at River and Mercantile, said: “BNY Mellon’s ability to provide a flexible middle office solution on globally-deployed technology was a key differentiator when it came to appointing our service provider.”

Daron Pearce, EMEA head of global financial institutions in the asset servicing business at BNY Mellon, said: “The robust and scaleable nature of our unified middle office solution will allow River and Mercantile to meet the demands of new mandates more effectively.”

“This expansion of our arrangement will assist River and Mercantile to bring new products and services to market more swiftly and to efficiently assimilate new business. It will also enable its management team to focus greater resource and investment on the activities that add value to their company, namely investment management and business development.”

Under the terms of its existing outsourcing arrangement, BNY Mellon already provides River and Mercantile with global custody, trust and depository, transfer agency, fund accounting and FX services.

Deutsche Börse forms new IT and market data segment

Deutsche Börse has formed Market Data +Services, a new segment that combines the firm’s market data and analytics unit with its external technology and connectivity services.

The Market Data +Services segment will headed by managing director, Holger Wohlenberg. The segment will be part of the IT & MD+S division, run by executive board member, Hauke Stars.

Stars said: "The new Market Data +Services segment allows us to combine our string expertise in technology and market data to better respond to client needs and offer innovative solutions."

"We look forward to expanding our product and service offerings to further benefit the global investment trading community."

The segment will provide capital markets with essential information and value added services through the entire investment cycle.

The offering comprises front- and back-office data, innovative indices, superior exchange infrastructure and reliable connectivity services housed under five business units: Front Office Data + Services, Issuer Data + Services, Back Office Data + Services, COO Data + Services and Venue Services.

Clearstream's assets under custody rise 4 percent

In April 2013, the value of assets under custody held on behalf of customers of Clearstream registered an increase of 4 percent to €11.6 trillion (compared to €11.1 trillion in April 2012).

Securities held under custody in Clearstream's international business increased 3 percent from €6 trillion in April 2012 to €6.1 trillion in April 2013, while domestic German securities held under custody increased 6 percent from €5.1 trillion in April 2012 to 5.4 trillion in April 2013.

In April 2013, 3.5 million international settlement transactions were processed, a 14 percent increase over April 2012 (3.1 million).

Of all international transactions, 85 percent were OTC transactions and 15 percent were registered as stock exchange transactions.

On the German domestic market, settlement transactions reached 6.7 million, 12 percent more than in April 2012 (6 million). Of these transactions, 65 percent were stock exchange transactions and 35 percent OTC transactions.

For global securities financing (GSF) services, the monthly average outstanding reached €583.8 billion.

The combined services, which include triparty repo, securities lending and collateral management, collectively experienced an increase of 2 percent over April 2012 (€570.7 billion).

At €568 billion, the year-to-date April 2013 GSF monthly average outstanding is 3 percent below the same period last year (year-to-date April to April 2012: €584 billion).

In investment funds services, 0.66 million transactions were processed, a 45 percent increase over April 2012 (0.45 million).

Philip Brown, head of client relations for Europe and Americas, and a member of the executive board of Clearstream, said: "Custody is our core business and hence these April 2013 figures are very encouraging."

"Our assets under custody since the beginning of the year show a positive trend and after already hitting a record peak in March 2013, we have reached a new historical high of €11.6 trillion at the end of April."

"The drivers of this positive trend include new customer mandates and growth of existing portfolios. Despite the continuing difficult market conditions, these figures offer us confidence that our business strategy is taking us and our clients in the right direction."

SSgA partners with SEI Master Trust

State Street Global Advisors (SSgA), the investment management business of State Street, has partnered with the SEI Master Trust.

SEI is now using SSgA's index fund components to help power its investment offering within the SEI Master Trust.

The SEI Master Trust is a fully bundled multi-employer occupational pension scheme, which can be used to meet auto-enrolment requirements and to buy-out defined contribution (DC) benefits.

SEI will be using a number of SSgA DC funds to help participating employees design competitively priced default funds.

Nigel Aston, head of UK DC, SSgA, said: "SSgA's DC business in the UK is founded on building solid partnerships with key industry participants and platforms."

"This new partnership strengthens our existing relationship with SEI and demonstrates how we continue to evolve to meet what is required from the next generation of DC solutions. We are delighted to be working with SEI to support its innovative proposition."

Chapman's Eye on the market

Trading places

It is a well-established fact that everything in life is a trade-off to some degree—harder work tends to lead to greater income, time that is invested in preparation means better results, and attention to detail results in a more polished final outcome. Working in the City is no different—the higher up the corporate ladder one goes, the greater the rewards, but there is also an increased chance that your position will become more precarious. As a generalisation, this does not apply outside of our industry in that the higher you rise in, say, the UK Civil Service, the safer your role is and the greater the safety net is in terms of a defined benefit pension scheme.

In the City, representing as it does all that is good and bad about capitalism, many people are finding out that their tenure is increasingly limited, and in the current environment, should you be unfortunate enough to lose your job, then it can be extremely difficult to get back in.

It is important therefore, to watch out for some 'early warning signals' to alert you to the fact that you might be on a redundancy list somewhere, thus allowing you to start on 'plan B' as early as you possibly can, be that organising your personal finances or starting to look for a new role. Those signals can take various forms, but can include having management responsibilities taken away from you, being disintermediated from meetings in which you were previously included, having subtle changes in responsibilities or titles—head of special projects or anything with either 'strategic' or 'relations' in the title are usually reliable giveaways—or having your budget cut.

While accepting this will not change whatever the powers-that-be have in store for you, it is true to say that 'forewarned is forearmed' and will put you in both a better position and frame of mind should the worst come to bear.

As ever, do let me know your thoughts. Drop me a line at paul@hornbychapman.com

Paul Chapman, managing director, HornbyChapman Ltd

Mandate Mangle

Neuflize OBC, a subsidiary of ABN AMRO Group, has selected **BNP Paribas Securities Services** to support the firms dealing activities.

The outsourcing agreement extends to equities, ETFs, derivatives and bonds for institutional and private clients.

Carl James, managing director of BNP Paribas Dealing Services UK, said: "This new partnership with Neuflize OBC will enable different management entities to benefit from the value-add we can bring to managing private and institutional orders."

Yann Charraire, member of the executive committee at Neuflize OBC, added: "We chose to work with BNP Paribas Securities Services to enable us to focus exclusively on manging our core business activities, whilst benefiting from a better access to liquidity and solidity offered by a major group."

Transport for London (TFL) Pension Fund has reappointed **J.P. Morgan** as global custodian for all its managed assets, and for the first time J.P. Morgan will also provide performance measurement services.

TFL Pension Scheme has approximately £6.8 billion of AUM. J.P. Morgan has acted as global custodian for the scheme since 1999 and has provided securities lending services since 2000.

Deutsche Bank will provide PT Indo Premier Investment Management with custody and fund administration services for two exchange traded funds that are newly launched on the Indonesia Stock Exchange.

Premier ETF Syariah Jakarta Islamic Index is the first equity-based Shariah-compliant ETF in Indonesia, and Premier ETF Indonesia Consumer is the first consumer-focused ETF in the country.

A subsidiary of Indo Premier Securities, Indo Premier Investment is a local security firm in Indonesia with over IDR590 billion in equity capital.

John Item, the president director of Indo Premier Investment, said: "We are pleased to have chosen Deutsche Bank. Their understanding of our vision and our requirements, combined with their scale and service excellence made it an easy choice for us. With four types of ETFs already launched, we will continue seek more opportunities in this growing market."

Elwin Karyadi, head of global transaction banking and head of direct securities services in Indonesia at Deutsche Bank, said: "We are honoured to have been appointed custodian and fund administrator for Indo Premier Investment's newly launched ETFs. By continuously investing in our people and our technology, we ensure that we are ready to support our clients' growing businesses."

Citi has renewed a mandate with Excel Funds to provide transfer agency services and fund valuation for its mutual fund offering in Canada. The new agreement also adds global custody services to a mandate first established between Excel Funds and Citi in 2005. Excel Funds is Canada's first and only emerging markets focused mutual fund provider.

"In the time we have partnered with Citi, they have proven their commitment to our business. Given our desire to further expand our offering into new markets, we have also enlisted them to manage our custody services globally," said Bhim Asdhir, president and CEO of Excel Funds.

"Citi's global reach and commitment to service provides the flexibility that meets our growing needs, and those of our dealers and investors."

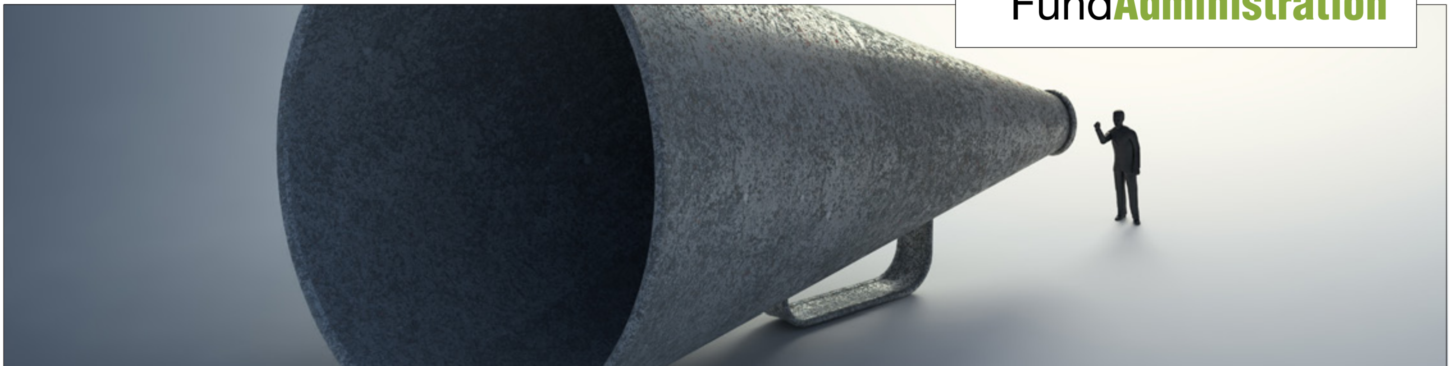
LHI Leasing has chosen **CACEIS** to provide depository services for its closed-end funds ahead of the introduction of European legislation.

The mandate comes in response to the introduction of the Alternative Investment Fund Managers Directive and its national enactment in the German Capital Investment Act. LHI and CACEIS will establish organisational frameworks to launch two real estate and renewable energy funds "in the coming weeks".

Plans for aircraft leasing and aircraft turbine funds are also in the pipeline. CACEIS will cover these as despository.

"It was central to our decision that CACEIS offers all relevant asset classes as a Depotbank from the very start and is prepared to expand the offer to additional asset classes," says Oliver Porr, managing director at LHI Leasing.

Dr Holger Sepp, co-head and member of the management board of CACEIS in Germany, said: "For procedural reasons, issuers want a single Depotbank which can service all the required asset classes. We ... were able to convince LHI Leasing with our comprehensive asset class know-how as well as our flexible service offer and support model."



Shouting into the void

Milestone's John Herlihy and Geoff Hodge discuss the increasing prevalence of transparency and control in fund operations

Boards, auditors, management and shareholders have been making their voices heard: among the alphabet soup of new fund management regulations, transparency and control are the common themes. We are now indisputably at the point where they are a required core competency among fund managers and operators.

On a day-to-day basis, transparency and control are about achieving certainty. It is about being sure that the fund is managed in a compliant fashion (the control), and that stakeholders are able to look at any level of detail, and see that compliance in action (the transparency). Transparency has become, in fact, an important pre-requisite for holding fund managers accountable, and that accountability in turn is a key building block for an effective control environment. The trouble is, addressing it looks like an overwhelming amount of work with an equally overwhelming price tag.

However, there is a smart and cost-effective way of dealing with these issues, provided the industry can modify its thinking on how problems can be solved. It is time to introduce and actively cultivate innovative approaches to problem-solving, including a more aggressive adoption of production management techniques in fund operations.

The first step is to recognise that although fund management is a dynamic industry, the number of moving parts within the operational side that need to be controlled is finite. Once it is understood which of the core business characteristics are dynamic, they can be embedded into the business architecture: the operating models and their supporting technology. This will enable businesses to deal more simply, and more holistically, with the common regulatory themes coming down the track.

This means changing the approach to technology-based projects and the traditional delivery of functionally-focused, incremental change, where external drivers build up pressure for change and a project is devised and implemented to deliver appropriate improvements to the business, before the cycle repeats itself on a seemingly endless loop.

Consider the difference in a world where innovation is an embedded cultural and practical aspect of the change process. First, the cycle is much shorter and pressure does not build to the same extent for constructive change to occur. Instead, the business is actively looking for better ways to manage operations—regardless of external drivers. What's more, in addition to the analytical framework that characterises the traditional change cycle, imagination, abstract thinking and discovery all feature heavily. New possibilities, including those with very different outcomes than initially envisioned, can be achieved.

This new model is less about looking at projects or pieces of regulation in isolation and more about exploring how a whole range of change initiatives and potential future challenges can be assessed and prepared for as a whole. This is why the current regulatory meme is critical: thought about in terms of a broad-based initiative to introduce transparency and control, constant regulatory change seems far more manageable than when new laws are seen as a series of discrete challenges to be met.

In practice, a fund manager should be able to look across its operations in totality, make any reasonable query and be confident that the answer is timely and complete—whether the query is made under the Retail Distribution Review or UCITS V, the US Dodd-Frank Act or Form PF.

Achieving this means moving away from conducting a string of reactive, resource-heavy and single-function projects, towards a culture of delivering theme-based, universally applicable transparency and control projects. The supporting business architecture required will be much more suitable for the pace of change in the industry, and will enable businesses to deal with the operational aspects of regulatory challenges more efficiently.

The efficiencies gained and resultant risk reduction that are the by-product of such a shift in culture, ensure that such projects become self-funding—giving extra weight to an already strong business case for change, and helping demonstrate that transparency, control and compliance are more than mere cost centres.

Instead, they become a seamless part of an operation that can provide the level of agility and flexibility needed to deal with evolving requirements for reporting, product innovation and competitive differentiation. This is what will enable successful firms to distinguish themselves in the future. AST

John Herlihy
Senior vice president of business solutions
Milestone Group

Geoff Hodge
CEO and executive chairman
Milestone Group

IFIA conference programme

Attendees of the Irish Funds Industry Association conference should look out for the product development and distribution panel, as well as the investor roundtable, during which investors and asset allocators will share success stories

Tuesday 11 June 2013

13:00-18:30
Golf Day at Royal Dublin Golf Club, Clontarf, Dublin

Wednesday 12 June 2013

Morning

07:30am
Registration Opens

07:30-08:30
Breakfast

08:30-08:45
Opening Remarks

Kevin Murphy, chairman, Irish Funds Industry Association (Partner, Arthur Cox)

08:45-09:15
Guest Speaker from the Irish Government

09:15-09:45
Keynote Address

Frank Hattann, LinkedIn
Linking the Irish Fund Industry to the World

09:45-10:45
CEO Roundtable—the future of the asset management industry
AIFMD—what impact will it have on European asset management landscape? Is the offshore fund industry heading onshore? ETFs—why is Ireland so dominant? What are the big opportunities and emerging markets in a changing world? What changes should managers be making to capitalise on regulatory change?

Moderator: Pat Lardner, CEO, Irish Funds Industry Association (IFIA)
Panellists:
Jeff Sargent, executive vice president and chief administrative officer of European operations, PIMCO
Robert Shearman, head of international product management, Legg Mason
Paul O'Faherty, managing director, Mercer, Ireland
Stephen Crocombe, managing director of EMEA, BlackRock
Andrew Lodge, managing director, Nedgroup Investments

10:45-11:15
Coffee Break

11:15-11:45
Patrick Brady, director of policy and risk, Central Bank of Ireland (tbc)

11:45-12:45
Product Development and Distribution—gateway to the world
Distribution and raising capital are very important for asset managers. In the current climate, what is the best method when selling directly to the investor—open architecture, intermediaries, or private placement? What are the current trends in distribution—UCITS platforms, third party? Does AIFMD represent an opportunity or challenge in the context of distribution?

Moderator: Andy O Callaghan, partner of asset management and FDI, PwC
Panellists:
Paul Holmes, head of UCITS hedge fund distribution BofA Merrill Lynch
Alwyn Li, partner, Deacons Hong Kong
Fergus Pery, global head of open collateral, Citi Transaction Services
Angela Billick, head of product development, Nuveen Investments
Bill Prew, founder, INDOS Financial Limited

Afternoon

12:45-14:00
Lunch

14:00-15:10
Investor Roundtable
Leading investors and asset allocators share the basis on which they make decisions brought them success and explain how they allocate capital, to whom and why
- Whether investors' appetite for risk is returning and how to recognise the indicators
- An examination of the new rules that govern fund transparency and how this impacts asset managers (alternative and long only)
- What impact will FATCA have on investors across Europe, Asia and Latin America

Moderator: Yuri Bender, FT journalist
Panellists:
Jérôme Neri, attorney-at-law, LL.M, co-owner and partner, Carnegie Fund Services S.A.
Rhodri Mason, head of investment solutions & product strategy, Hermes Fund Managers
Paul Freeman, managing director, member of BlackRock's EMEA Regional Executive

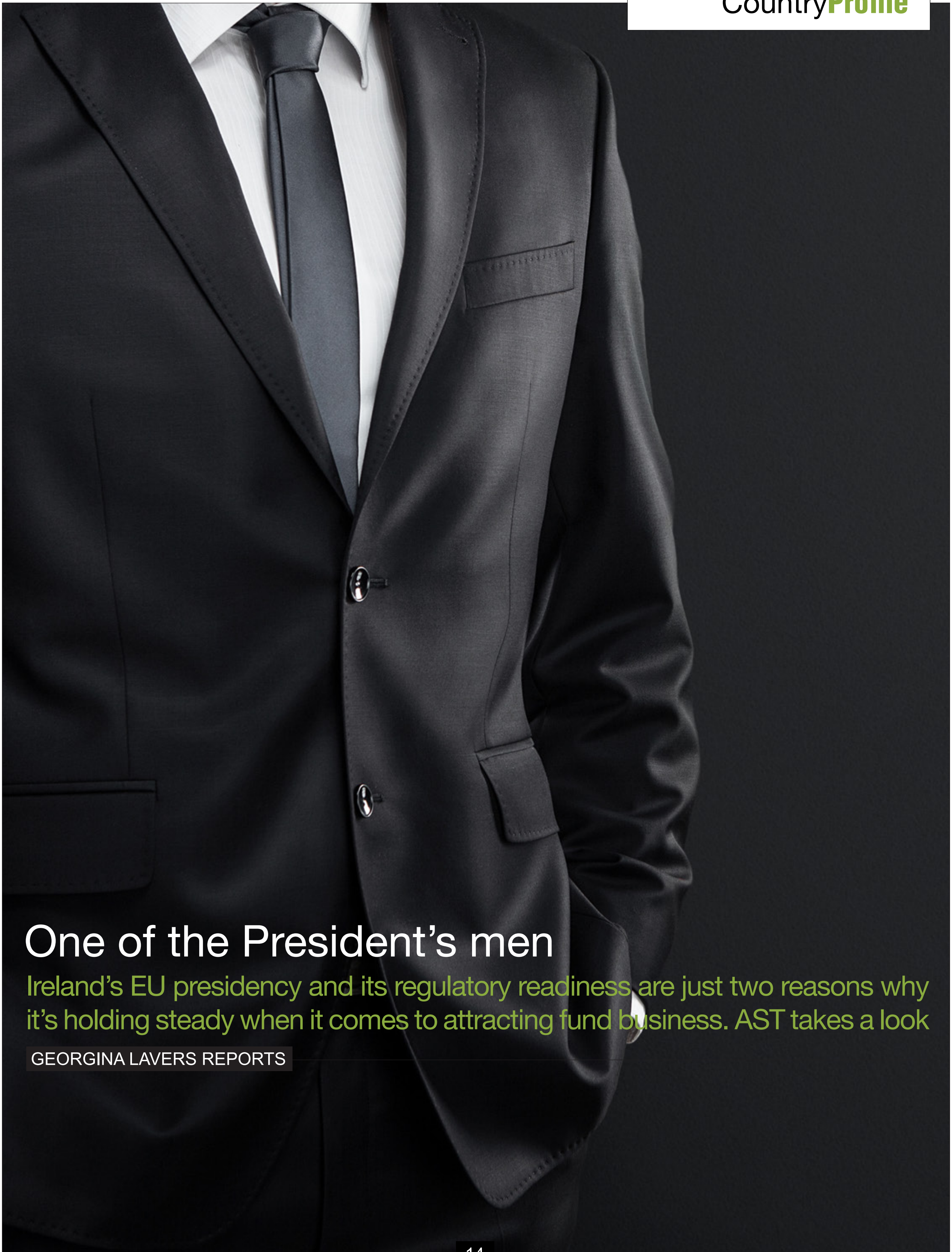
15:10-15:40
Coffee Break

15:40-16:40
"The New Normal" – how Ireland is differentiated post AIFMD
- Are traditional and alternatives now clearly differentiated?
- How has business strategy been influenced by regulatory and tax change, specifically AIFMD and FATCA?
- Is the bifurcation of 'alternatives' and 'long only' over—or has it only just begun
- Asia—how do managers succeed in the world's fastest growing market?
- Will investors want something different—performance versus protection
- Regulatory arbitrage—myth or reality

Moderator: Sheenagh Gordon-Hart, FCA client and industry research executive, J.P. Morgan Investor Services
Panellists:
Juan Perez, CFO/risk manager, Cantab Capital Partners LLP
Nora O'Mahony, head of product development and client solutions, GAM
Rory Gage, director in the financial services practice, Navigant
Andrew Shrimpton, partner, Kinetic Partners
Isabelle Salamone, director and deputy head, Société Générale Securities Services Switzerland

16:40-17:00
Closing remarks
Pat Lardner, chief executive officer, IFIA

19:00-23:00
Dinner
Four Seasons Hotel, Ballsbridge, Dublin for networking and drinks Reception Dinner



One of the President's men

Ireland's EU presidency and its regulatory readiness are just two reasons why it's holding steady when it comes to attracting fund business. AST takes a look

GEORGINA LAVERS REPORTS

One of the greatest challenges facing the Irish funds industry in 2013 is increased regulation at both a global and local level, says Rachel Turner, the head of offshore for BNY Mellon. How quickly the industry in Ireland adapts to these changes, she says, will be critical to maintaining the upward growth trajectory the industry has enjoyed in recent years.

At the top of the regulatory pile in the country is surely the Alternative Investment Fund Managers Directive (AIFMD), which will finally come into effect in July of this year. And while the changes have long been anticipated, a much tighter timetable following the completion of Level II measures at the end of last year will test the preparedness of both investment managers and service providers, says Turner.

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

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

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

A big acquisition for Ireland was Northern Trust's purchase of Bank of Ireland Securities Services in May 2011. While 2012 was fairly quiet, Clive Bellows, the country head of Ireland at Northern Trust, states that this year's sign-up sheet for new clients is looking full—and not just for his bank.

"We started this year with just over $300 billion of AUM, and roughly 185 clients. In the first half of 2013, we will have 10 new clients, which is in contrast to the market dynamics of the previous year. There has been a dramatic increase in not just new clients of Northern Trust, but clients who are launching Irish products for the first time. So I think both for Ireland as a domicile, things are looking very healthy, and at Northern Trust we continue to see an increasing demand for our services."

He adds that there has definitely been a rush of clients looking to get fund launched pre-AIFMD, and then buying themselves some time—the grandfathering period before they decide to apply to become an alternative investment fund managers or not.

"But equally, I can see that there hasn't been a blind rush into the country pre-AIFMD. Firms are coming because they trust the domicile, and it has a good reputation for multiple asset classes. We are seeing a lot of property funds, private equity and alternate-type structures. It has been very positive here."

At the helm

Ireland Taoiseach Enda Kenny recently appealed to his counterparts in Paris, Berlin and London to address several critical challenges in the remaining days of the Irish presidency.

As well as urging European leaders to settle a negotiating mandate for talks on an EU-US trade agreement, and shake hands on new laws to "resolve" failing banking, it is hoped that the country's temporary position as president—which rotates among the member states of the EU every six months—will aid the funds industry.

"Because financial services is so important to Ireland's economy, the fund business has always had great support from the Irish government," says Bellows. "And when you layer on the EU presidency on top of that, some of the things that our industry would like and want to influence, may come to the fore now. Ireland taking the lead in 2013 will be a huge help—especially considering how the country massively influenced the shape of AIFMD."

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

She adds that she expects Ireland to take a leading role with regard to shaping UCITS V and VI.

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

Emerging distribution markets

There are two sides to consider when thinking about emerging distribution markets, says Bellows—where the fund manager is based, and where they're looking to distribute. He indicates that currently, the bank has clients in its Irish business that are based in 17 different countries. The UK retains the biggest client cluster, followed by North America.

"But we also have a large number of clients now in Hong Kong, Singapore, Japan, Australia, and also Scandinavia. In terms of trends of distribution—not much has changed."

The Irish funds industry is well known in the US and in the UK, and BNY Mellon will continue to attract new investors from these regions in 2013, says Turner. But to continue to grow, Tuner adds that the country must begin to target emerging distribution markets such as South America and the Middle East, in addition to continuing to raise its profile in Asia.

> Although we will no longer hold the presidency when UCITS VI comes into effect, the Irish Presidency will need to make significant progress in laying the groundwork for the next iteration of these directives

Assets serviced by the Irish funds industry reached an all-time high of €2 trillion in 2012, and the industry continues to hold steady when it comes to additional flows—with more than 40 percent of UCITS asset flows in Q1 2012 coming through Irish vehicles, and more than 10 percent growth in net assets of UCITS in the first half of last year.

"I firmly believe that this is down to the fact that Ireland is still seen as a good place to do business from a funds perspective, despite the financial crisis," says Turner. "We are still seeing a huge appetite from investors to place money in Ireland, so I am optimistic that we will reach €2.5 trillion in assets serviced by the Irish funds industry by the end of 2013."

The financial world has changed, and Ireland has been able to adapt quickly to a number of challenges over the years because it has had the intellectual capital at its disposal to cope with some of the more complex funds in the market—this has been the success story of the Irish funds industry, comments Turner.

"Increased regulation will further test our capability to be innovative, however, if we can continue to stay ahead of the curve and adapt quickly, and continue to work with a regulator that is cognisant of the complexities of the funds industry, I believe that we will continue to thrive." **AST**

Too many cooks

Experts from Smartstream and Information Mosaic tell AST about automation of the election process, and whether too many committees are spoiling the broth

GEORGINA LAVERS REPORTS

It has been said that too many industry groups and committees slow down standardisation of corporate actions—do you agree?

Adam Scott: There are a number of national and global industry groups that ultimately have the same objective; to standardise and improve corporate action processing across the industry. While these groups have made significant progress and continue to do so, the multiple committees can have different and conflicting requirements and standards at national market practices levels. In the past, these conflicting requirements have led to significant and long discussion hindering the progress in corporate actions standardisation.

We are now seeing far more collaboration across the different industry groups, which is already bearing benefits and increase standards. The crossover in the associated groups in terms of membership is becoming more common and they are collaborating more and more on key industry initiatives such as XBRL, ISO 20022, and financial transaction tax. If we take the US for example, Information Mosaic actively participates in both the Securities Industry and Financial Markets Association (SIFMA) and the International Securities Association For Institutional Trade Communication (ISITC) industry groups. We have recently seen an increase in collaboration between these groups and that is reflected in the topics that are top of both organisations priority list.

Overall, we have certainly seen in the past that the industry has been slow in terms of some standardisation initiatives and this could well in fact be attributed to conflicting requirements from the various industry groups and committees. We are, however, seeing a lot more collaboration and this can only be positive for the industry as a whole. We see this as being a very important and strategic evolution in the race to standardise corporate action processing and mitigate against the associated risks.

Alan Jones: I agree to a point but at the end of the day it is, or at least should be, the National Market Practice Group (NMPG) that has the ultimate control over what proposals and recommendations are made against existing standards supporting corporate actions processing. My main issue is that one of the major consumers of the data and industry standards, ie, solution vendors, are blocked from participating in any NMPG discussions or decision making processes. At least in the US vendors are encouraged to add the benefits of their experiences working with clients through automation and STP projects that are dependent on standardisation.

Do you think that all firms will eventually introduce ISO 20022, and do they need to?

Scott: I think eventually that ISO 20022 will be the de facto standard for corporate action processing. When that will be is another question all together. There has been some great strides made in the US with DTCC leading the way and driving ISO 20022 adoption. The wheels are certainly in motion and DTCC members will have to adopt the new standard in some shape or form by the cut-off date.

The Japanese and Australian markets are also looking to adopt ISO 20022 as standard. Both markets are closely watching the roll out in the US to learn from its success.

Adoption to ISO 20022 will be slow. For example, the buy-side firms in the US have shown little interest in moving to the ISO 20022 standard. There are a number of buy-side firms that have still not adopted ISO 15022 and those that have adopted it have done so in the not too distant past and at significant cost. The brokers and custodians must continue to provide ISO 15022 to their clients for the foreseeable future, so we do see a potentially long transitional period from ISO 15022 to 20022.

Co-existence between them is costly, particularly for the custodians, intermediaries, data and application vendors that must support both formats. There needs to either be a date when ISO 15022 will no longer be supported, or legislation to incentivise the industry to move to the ISO 20022 format. Despite the fact that the newer format brings with it significant automation and standardised benefits, this alone will not persuade organisations to adopt it in the short term.

Jones: That is the million-dollar question. If you consider that many financial institutions are yet to or have only just embraced ISO 15022, there is a considerable lead-time for new data standards to be widely introduced. The question remains, will the market become fragmented and split across two sets of standards, ie, 150222 and 20022, with co-existence becoming more widely discussed. The problem is that moving from one data standard to another is not an easy, quick or cheap process. Many firms have based their existing architectures on the data standards that were current when they were first built, and moving from either a proprietary or standard format to a new structure can involve multiple systems and departmental change management projects. These generate strain on resource pools that are already stretched within the current climate.

Why does there seem to be a lack of consistency and standardisation with upstream communication?

Jones: Exactly for the reason stated in the question— there are often many different participants within the chain through which an event notifications need to flow. Each participant will have differing levels of automation and processes in place which inevitably results in multiple manual touch points and the manipulation or transformation of data. The holy grail of issuer to investor communications, as well as, the unique corporate action event identifier used by all parties still seem to be a future aspiration due to the lack of any enforcement by regional or domestic authorities. The costs involved in implementing these processes dictates that there will never be industry wide voluntary participation.

Scott: We have to remember who the actual issuers are in some situations. There is absolutely no benefit or incentives for them to invest to standardise issuer communication. Their goal is to communicate all the necessary detail to ensure the shareholder is fully informed about an upcoming corporate action. This requires them to issue detailed prospectus and communication. Until there is a compelling business case, or legislation for the issuers to standardise, we will continue to see a lack of global standards for the foreseeable future.

How has automation of the election process with the depository changed the sector?

Scott: The DTCC ISO 20022 messaging conversion is progressing well and there continues to be a positive take up on the ISO 20022 corporate action announcement. The next phase of the roll out is to introduce the corporate action election messages. This is currently being tested by DTCC and participant members, including application vendors such as Information Mosaic, are providing input and feedback to DTCC on the messaging content and standards.

The automation of the election process will bring with it significant benefits for all industry participants, whether they interact with the DTCC directly or not. This process will allow for extended deadline times, reduce errors and interpretational risk and overall reduce the costs associated with this process. Shareholders and decision makers will see significant benefit from automation, with the extended deadlines giving them more time to evaluate their decision and ensure that it is the right one.

Jones: The major beneficiaries of automation around the management election instructions are the larger custody firms that have invested in solutions that can process the required message formats in this area. Other sectors, for example fund management, within the corporate actions election process still largely employ manual processes using custodian web portals where data needs to be manually entered.

It may be surprising with all the technological advancements we have made, but the use of faxes to instruct against optional events is a process that is still common within certain sectors of the market. An amusing story was told recently that explained new starters at a financial institution fresh out of education had to be trained how to use a fax machine because they had simply never encountered one before.

How would you differentiate corporate actions in the US from Europe, and from Asia?

Jones: ISO standards have defined a list of event types that cover the global market requirements. However, the intricacies of the way events should be processed in each market need to be catered for and these are published by Standard Market Practice Groups in the Event Interpretation Grid in line with the annual message format guides. When processing an event a corporate action clerk or automated system needs to be able to differentiate between an event announced against an asset listed in the US, versus the same event type announced against an asset listed in Brazil, for example, due to the regulations and characteristics of that market.

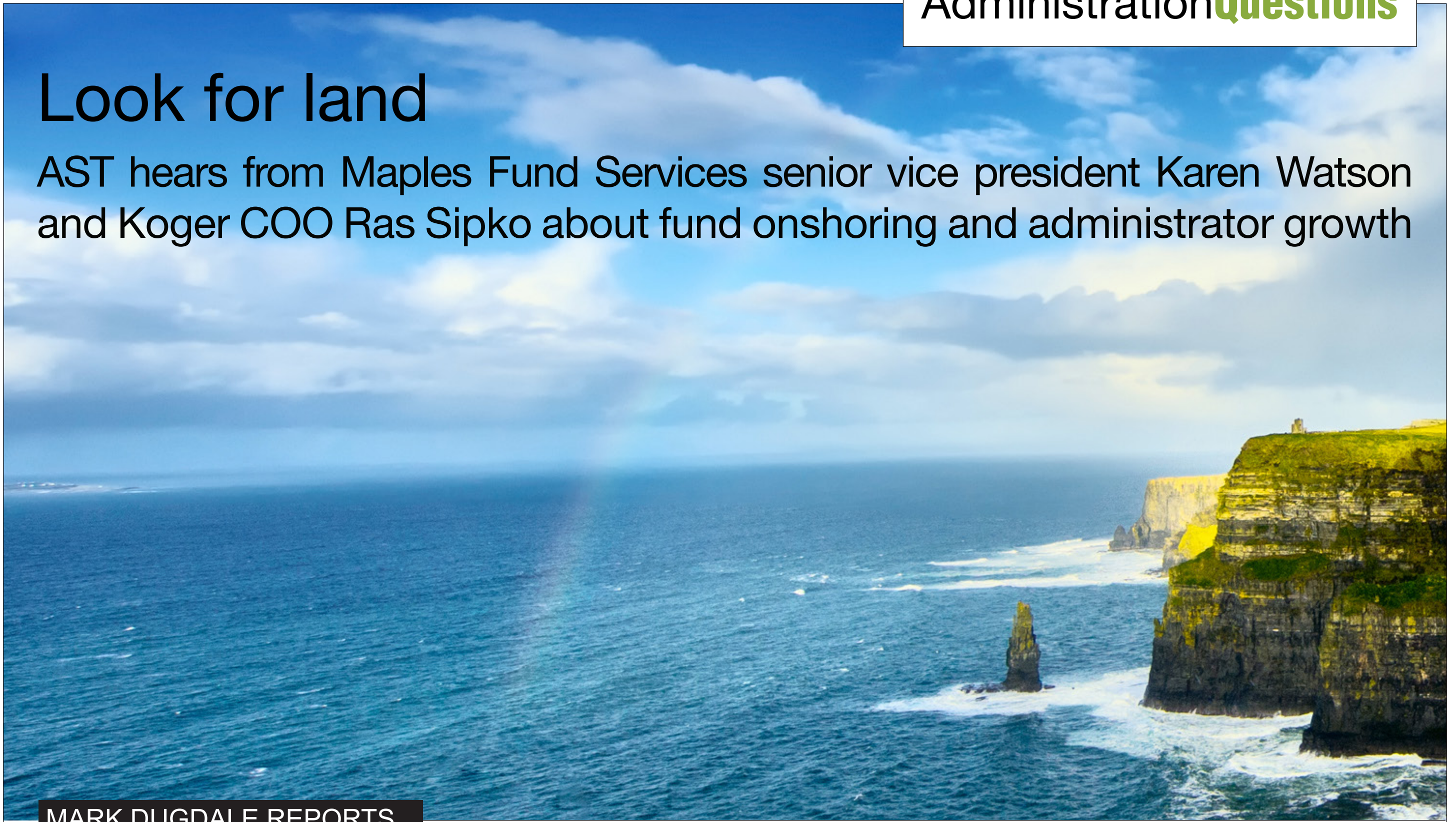
This market level management of events is required to be able to control the processing schedules of the event in line with risk factors, actual versus contractual settlement arrangements, as well as the likelihood of actually receiving the benefit from the event on the appropriate pay or effective date. Corporate action processing requirements vary considerably from region to region or even country to country. In areas where seasonal peaks and troughs in volumes, tax withholding and reclaim requirements and the adoption and application of industry standards occur, it is vital that any solution that looks to automate the process has to ability to configure business rules against events types—pre-asset, per country and even per-market where the target asset is listed.

Scott: In the past there were numerous differences between corporate actions in the US, Europe and Asia. Even simple events such as stock splits and bonus issues had different terms and calculation methods. With the continuing globalisation of financial services and other industries these differences have less impact. More and more organisations and shareholders have diversified portfolios with investments in companies across the globe. This has somewhat let to a convergence of standards and along with the collaboration of standard market practice groups reduced the number of differences.

However, differences do remain, whether it be the event types used, the payment method and terms, or when event terms are confirmed; some Asian markets, for example, may only confirm the terms of the event on the payment date. These differences continue to create interpretational risk even on the simple events. The continuing work of then Standard Market Practice Groups will help to reduce the differences and risks. It's vital that they continue to collaborate and progress at a faster rate. **AST**

Adam Scott
Senior product consultant
Information Mosaic

Alan Jones
Product manager
SmartStream Technologies



Look for land

AST hears from Maples Fund Services senior vice president Karen Watson and Koger COO Ras Sipko about fund onshoring and administrator growth

MARK DUGDALE REPORTS

Why has there been a trend towards onshoring of funds and how has this benefited Ireland?

Ras Sipko: According to the IFIA (Irish Fund Industry Association), more than 40 percent of hedge funds are being serviced from Ireland, making it the world's biggest administration centre. From our point of view, this is no coincidence as there is a suitable framework in place to provide lower tax, a greater distributor network and a transparent regulatory framework—just to name the few. While offshoring will never completely go away, with wages sometimes being 75 percent cheaper than those near home, it's hard to imagine that costs won't still play a major role. The trend of onshoring, as service providers look to provide a high-touch service to their clients, is having a positive impact on the local Irish market, as one would expect.

How has asset volatility affected fees in the business?

Karen Watson: Other than the natural fluctuation of all asset-based fees that are directly affected by volatility, including administration and management fees, post-crisis, we are also seeing fee structures in funds following strategies with high volatility, that may have slightly lower fees or are structured to have longer crystallisation periods, and even claw-backs in some instances. From the administrator's perspective, with many start-up funds that are launching with lower asset bases, fees are at minimum levels, hence fees are not affected so much as the cost drag on the funds.

Is more frequent and detailed reporting always necessary?

Watson: Perhaps not always necessary, but there is certainly a need for appropriate frequency and detail of reporting based on the nature of the fund that is generally more than what was seen pre-crisis. The credit crisis revealed invisible risks in funds and there has been a definite shift to increased reporting designed to identify and continuously monitor contributing factors to risks specific to the fund. Investor demand for increased transparency and liquidity has driven more frequent and detailed reporting as well, and lastly, fund administrators are typically providing a level of reporting that is used by managers in the investment decision process, often on a T+0 basis, rather than solely providing NAV calculation and transfer agency services.

Sipko: We would break that into two components. While it is important to be transparent to one's investor base by providing more detailed reporting, the frequency at which it is done needs to correlate with the investment strategies deployed. Investors are asking for more details, and managers are given little choice but to comply. Even on the compliance side, there is a greater need for more detailed reporting. The ability to provide more detailed reporting to investors can be used as a competitive advantage through technology, providing more robust online access to key information and adding ad-hoc reporting to their suite of services.

What sort of revenue growth are you predicting over the next year?

Sipko: We're predicting revenue growth will increase modestly across the market over the next few years in line with economic growth. As managers adapt to more robust compliance requirements, the burden will shift on administrator that will provide for further revenue. Over the past few years, administrators were forced to find efficiencies and to reduce cost while revenue suffered. With a more positive outlook on the economy, more capital is expected to be deployed to alternatives that should also help with additional revenue.

> Watson: We are seeing fee structures in funds following strategies with high volatility that may have slightly lower fees, or are structured to have longer crystallisation periods

What sorts of technology are you investing in for the future?

Watson: We are continuing investment in efficiency initiatives, including enhancements to automated data management systems, as well as electronic workflow systems that allow increased functionalisation of tasks to increase efficiency while simultaneously increasing risk monitoring capabilities. We are also looking at system enhancements specific to regulatory drivers, such as the Foreign Account Tax

Compliance Act, the Alternative Investment Fund Managers Directive and Form PF.

Sipko: We are also seeing administrators focusing on more complex products that might have a higher margin and provide a higher retention rate

Sipko: Technology is changing very rapidly. We have been keeping a close eye on cloud computing and see a lot of potential there. Also, going back to reporting, it's been a key area for us to continue to focus on transparency between managers and investors, whether using our online portal to allow access to anyone or our KORDS product that streamlines reporting tasks for fund administrators. In addition, we continue to invest in research to provide a fully automated, event-driven system that will eliminate processing delays for bigger organisations.

Are you seeing growth in private equity administration?

Sipko: We believe that growth in private equity is increasing and will continue to do so. While private equity does bring challenges of its own, it is an important new service line for administrators. We certainly see awareness between administrators of the challenges that private equity administration brings, but it is a challenge that they are willing to take on. Outsourcing administration of the private equity fund certainly provides more a effective cost solution, lower risk and greater transparency.

Watson: Private equity is always challenging to automate, in particular the profit and loss allocations and carried interest waterfalls. We are investing in proprietary solutions that provide the flexibility to deal with client nuances, but with the control and efficiency of automation.

Why is client profitability vital to a fund administrator's business model?

Sipko: Profitability is vital to the administration industry as it encourages further re-investment in efficiencies and automation. Efforts on promoting further automation will reduce risk, improve service and ultimately benefit both managers and investors. We see that through reinvestment of some of the profits our clients are able to deliver greater volume of information in less time with fewer staff.

We are also seeing administrators focusing on more complex products that might have a higher margin and provide a higher retention rate. Leveraging technology to drive automation ultimately keeps costs low and provides better service. Koger, with its suite of products, is positioned to benefit from this way of thinking because we have systems that are designed to support the most complex funds and are continuously looking for ways to drive efficiencies into the administrator's work flows.

Watson: Private equity is always challenging to automate, in particular the profit and loss allocations and carried interest waterfalls

Watson: A fund administrator's revenue is asset-based and therefore growth in revenue partially relies on client profitability, which not only directly increases the assets on which fees are based but attracts new capital to clients, further increasing fees. For administrators that work with small start-up clients, where minimum fees apply and hence there is less direct impact on revenue, the track record being initially established by the fund will determine that fund's ability to attract capital and grow to a level that surpasses minimum fee levels. AST

Secret conversations

Firms mustn't use IGAs as an excuse to hold off on Foreign Account Tax Compliance Act compliance, says Dion's Colin Camp

Even though the final regulations have been published, the sheer volume of 'noise' around the US Foreign Account Tax Compliance Act (FATCA) and the 'will they, won't they?' stories regarding the signing of inter-governmental agreements (IGAs) is creating a great deal of uncertainty in the market. This is added to, in no short measure, by the anti-FATCA lobbyists who are succeeding in raising questions about the integrity of the American legislation—particularly following rumours of China refusing to consider an IGA unless it receives more tax information on citizens with US assets, and Russia becoming the latest state to attack the reach of the regulations.

In reality, the basic fact is that no-one knows what is going on behind closed doors between the US and other countries—and firms shouldn't use IGAs as an excuse to hold off on FATCA compliance.

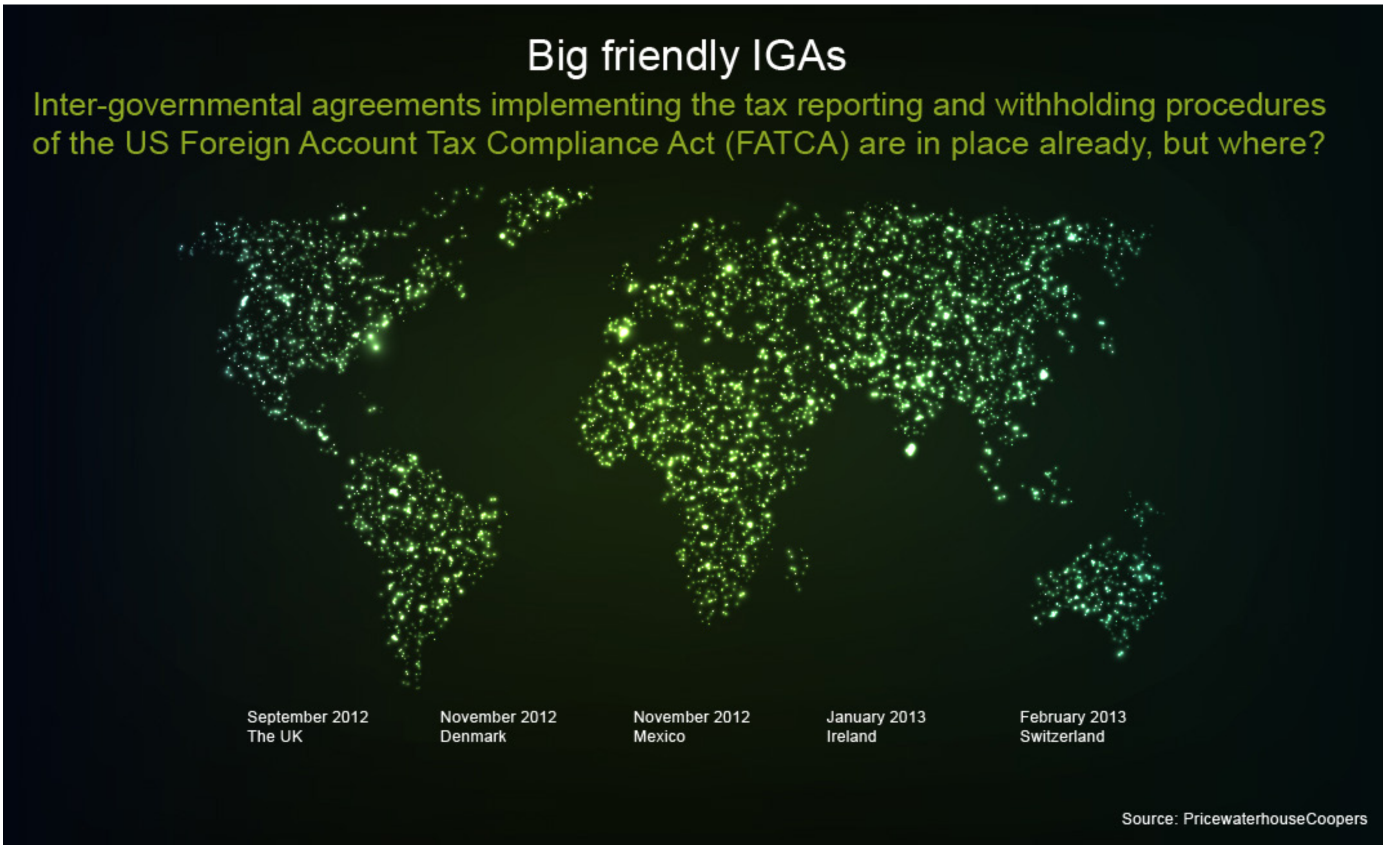
The intention of the IGAs is to ease the burden of the regulations on a country's financial industry, and enhance existing tax cooperation arrangements with the US. Whether or not your country has signed an IGA has no bearing on FATCA compliance.

For many countries—especially those with major financial centres—an IGA is already on the table. But given the detail in the final regulations, the two templates for IGAs and the missing information the industry is still waiting on from the IRS, it will take time for government departments to digest everything, identify the local products and businesses that can be excluded and ensure the correct model agreement is in place. Working out the specifics will require liaison with local industry bodies and market participants, as well as input from the IRS and US Treasury. Even when countries are confident they have identified the correct model, the IGAs may require changes to or implementation of new local laws. This won't happen overnight.

As the FATCA regulations stand today, foreign financial institutions (FFIs) need to register or sign an agreement with the IRS before October 2013 or they will not be included in its first list of participating FFIs that is due to be published in December 2013. If they aren't on this list, they not only face the risk of withholding tax on their US-sourced transactions, but also the reality that some of their counterparties may refuse to engage with them going forward. It remains down to each individual FFI to get its own house in order in terms of implementing a FATCA compliance programme. While this is on the agenda of many, it's surprisingly only being actioned by a few.

The only thing financial institutions can do is put a programme in place to comply with the regulations as they stand now to ensure they avoid any potential repercussions down the line. That said, institutions must ensure that their systems are flexible enough to cater for any last minute changes and able to incorporate the subtleties contained within local IGAs where relevant. This is particularly important for institutions operating across multiple jurisdictions where IGAs may be signed at any point in their compliance programme.

When it comes to FATCA, the advice is simple: despite all of the uncertainties, FFIs must ensure they are ready for the regulations. It's not going to disappear any time soon and the clock is ticking. **AST**



Playing with the big boys

Keith Hale and Alan Raftery of Multifonds tell AST why their firm's study is predicting that AIFMD could have a similar global impact to UCITS

GEORGINA LAVERS REPORTS

How are your clients feeling about a July 2013 deadline?

Keith Hale: Given the reporting format is not finalised yet, and when you look at things as fundamental as pricing, taking into account the new cost of the depository liability—there appears to be much to do before July. As a result, there is likely to be a last-minute dash to the finish line. There is arguably less of an issue for the fund managers, because if they want to launch a new fund, they have or will probably do it before the July deadline. Then the fund has another 12 months before it has to convert to the new alternative investment fund regulation. For the service providers, the deadline may be more of an issue, because if a client does want to be first to market and launch a new alternative investment fund after 22 July, then the administrator needs to be completely ready.

Alan Raftery: From an industry perspective, the European Fund and Asset Management Association (EFAMA) said the deadline was too ambitious and it wasn't feasible to develop standards for cooperation agreements with member states and non-EU regulators in the given time frame. That said, the industry seems to have accepted and is working towards this deadline.

Will AIFMD become an international standard for alternative funds, similar to the UCITS brand?

Hale: We are currently in the middle of a survey that is asking just that question of asset managers, fund managers and service providers. Interestingly, nearly 60 percent of respondents have told us that the Alternative Investment Fund Managers Directive (AIFMD) is going to become a global standard like UCITS. The real question is, why? If you look back in history, it was only really only with UCITS III in the early 2000s that UCITS really began to take off as an international brand. As it went through its various incarnations, UCITS gained traction, and it's likely that AIFMD will follow the same pattern—the directive will need to learn lessons and adapt, possibly over a number of iterations.

Alan Raftery: With the likes of the Cayman Islands and Bermuda progressing with their cooperation agreements with Ireland, it has the potential to become more of a global brand. A lot depends on how it is sold to and how it is perceived by investors. Will they see it as UCITS for hedge funds?

What kind of local interpretation do you think will be given to UCITS V and AIFMD when each member state implements the directive?

Raftery: AIFMD could conceivably be open to interpretation, but the feedback we're getting is that every jurisdiction will implement in the same way. If you look at UCITS V and AIFMD, they are broadly the same in their measures; they protect investors and reduce risks. As we know, UCITS V in part was a direct response to AIFMD, in order to bring itself in line with the directive. Standardisation of implementation will be positive, as it will allow the global players to put the same models across all jurisdictions.

Hale: I was on an industry roundtable recently where this topic came up. There were depositories present, as well as global custodians and administrators, and the consensus was that although, potentially open to interpretation, the directive will be implemented consistently across jurisdictions in terms of depository liability, and so on. There will not be fundamental differences and therefore no opportunity for regulatory arbitrage across locations.

How is Ireland tackling the trend of convergence between traditional and alternative funds?

Hale: Globally, convergence continues to be a growing trend. Increased institutional appetite for hedge funds is making them look for long-only in their characteristics (daily liquidity, risk management, and so on), and we have also seen retail appetite for absolute return funds—which are making long only funds take on more hedge funds features such as performance fees. This increased convergence is demonstrated by the figures we see on our platform. Given that we are traditionally more widely used in the long only market, we have seen a number of assets with performance fee equalisation for example on them double in the last year alone. So at a macro level, convergence is a growing trend, in our opinion.

Raftery: From a regulatory perspective, the Central Bank of Ireland has created a new retail investor alternative investors fund (RIAIF) structure, which provides a framework for managers to access retail investors. This provides products somewhere between hedge funds and UCITS funds. The product is positioned to benefit from the convergence of alternative and traditional funds. RIAIFs have more restrictions than a hedge fund, but less than a UCITS fund.

AIFMD could conceivably be open to interpretation, but the feedback we're getting is that every jurisdiction will implement in the same way

From a company perspective, the majority of the projects we are working on involve the consolidation of alternative and traditional funds onto our platform as our clients service all fund products on one application. This indicates that service providers aim to offer the same service to clients no matter what the product offering.

Hale: From a retail perspective, it is still questionable whether investors will take up this new RIAIF structure, due to lack of awareness and distribution to retail investors.

Are you seeing any redomiciling of funds into Ireland or other jurisdictions?

Hale: Currently we're seeing a lot of growth in both Ireland and Luxembourg on our platform (25 percent in the last year), but that is not just down to re-domiciliation, that's due to our clients migrating new wins, acquisitions and system consolidations —so is probably not the most accurate gauge. That said, our expectation is that Ireland and Luxembourg to be the two main beneficiaries of AIFMD. Managers fundamentally are going to have to bring funds onshore to 'market' themselves in Europe under AIFMD. Eighty-nine percent of respondents in our survey said that they thought Luxembourg would be in the top three domiciles for AIFMD, and 73 percent said Ireland. It is difficult to measure amount of re-domiciliation causing of the growth we are seeing on Multifonds, but re-domiciliation will almost certainly happen, in order to satisfy spirit of the AIFMD regulations.

One fly in the ointment could be for non-EU investors; some funds might choose to domicile funds outside of the EU so they don't have to be burdened with the additional costs of depositories and so forth that are associated with AIFMD. **AST**

Keith Hale
Executive vice president, client and business development
Multifonds

Alan Raftery
Head of Professional Services for Ireland
Multifonds

Riva Financial Systems: global transfer agency solutions for the asset management industry

Transfer agents and fund administrators should take note of Riva Financial Systems Limited, an Isle of Man-based software company with a formidable solution

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

Riva Financial Systems Limited was incorporated in October 2002 by a group of industry professionals with extensive operations and technology experiences at some of the largest asset managers and fund administrators in Europe. Their vision called upon the creation of a flexible, cost-effective, totally integrated global transfer agency system solution to leverage best-of-class technology and servers, and the flagship product that emerged from this blueprint was Riva Transfer Agent (TA)

Suitable for both transfer agents and fund administrators, Riva TA is a highly functional dealing and registration software solution capable of supporting the entire investor record-keeping process across multiple administration centres, investment products and currencies, all on a single platform with a low total cost of ownership that comprises a range of features designed to make transfer agency operations more efficient, flexible and responsive.

It offers among other features, a web-enabled front-end for ease of servicing, integrated cash management and general ledger advanced functionality, integrated imaging and workflow functionality, enhanced foreign exchange processing and interface capabilities with an open database architecture.

The Riva advantage

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

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

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

As at March 2013, approximately $240 billion of assets were administered on Riva TA by clients of Riva, across 14 global locations covering Asia, the Middle East, Europe and the US.

Riva Transfer Agent software solution

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

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

To-date, Riva TA has proven successful with customers in all three major European jurisdictions, including the UK, Dublin and Luxembourg, and has been successfully deployed across the entire international transfer agency operations at Franklin Templeton Investments in a project described by Mr Ghassan Hakim, CEO of Riva, as being "unprecedented in terms of scale and complexity".

Plans for deployment and implementations in other jurisdictions are already under way.

Learn more

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

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

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

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

Enterprise Collateral Management Conference 2013

Date: 4-6 June 2013
Location: London
www.wbresearch.com/enterprisecollateral

Enterprise Collateral Management Conference 2013 is your link to over 200 influential industry contacts. The event will bring together senior professionals from treasury along with front, middle and back office to achieve an enterprise wide approach to collateral to fund business and balance sheet.

IFIA Global Fund Conference

Date: 11-12 June 2013
Location: Dublin
www.irishfunds.ie

Join us at our world leading asset management conference where industry experts will examine how to succeed, particularly in a post AIFMD world.

NeMa 2013 - Network Management

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

With over 400 attendees from the Network Management and Securities in 2013, NeMa is the most important event of the year for the network management community—bar none.

Sibos

Date: 16-19 September 2013
Location: Dubai
www.sibos.com

The Sibos conference offers you the opportunity to engage with leading financial industry figures to debate the latest developments and trends

Industry appointments

The Bermuda Monetary Authority (BMA) has realigned its senior management team to increase Bermuda's appeal to new market entrants in the field of fund management and administration.

Marcia Woolridge, director, will manage the banking, trust corporate services and investment division. She will add supervision of businesses licensed under Bermuda's new corporate services providers regime to her responsibilities.

Woolridge's new responsibilities are in addition to her supervision of the banking trust, investment fund, fund administrators and investment businesses sectors.

Shelby Weldon will expand his role as director to include the licensing and authorisations functions for all non-insurance entities. In addition to captive and commercial insurers, he will be responsible for licensing and authorisations for banks, investment businesses, investment funds, trust companies and corporate service providers.

Current director **Shanna Lespere** will assume responsibility for areas of the BMA's operations function, including finance and currency operations, human resources, research, facilities, programme management and enterprise risk management.

Finally Shauna MacKenzie's role as director will now encompass responsibility for the authority's regulatory policy function. She will also be responsible for legal services, and development and application of the BMA's enforcement framework.

Consultancy firm Doran Jones has strengthened its prime brokerage offering with the addition of **Lou Lebedin** and **Gerard Muldoon**. The pair join as partners.

The firm, which was founded in 2010, will help prime brokerage clients with strategy, technology and regulations.

Lebedin left J.P. Morgan in May 2012 after serving as head global head of prime brokerage. Muldoon left his position as global head of operations technology at Citigroup in June 2012.

Their arrival at Doran Jones follows that of Duncan Rawls, who most recently served as managing director and global head of prime brokerage/equity finance technology at J.P. Morgan.

Doran Jones will also add two members to its board of advisors.

Deutsche Asset Management's former chief administrative officer **John Nolan** will chair the board. **Susan Peters**, who previously served as chief executive at eSecLending, will join him.

BNP Paribas Securities Services has appointed **Julie Cuminet** as head of asset and fund services (AFS) in France. He will report to Jean-Marc Pasquet, head of France and Belgium, and Philippe Ricard, head of AFS.

Cuminet replaces Jean Devambez, who is now head of global AFS products.

In his new role, Cuminet will be responsible for custodian and depository services, transfer agent activities, fund administration and accounting.

Apex Fund Services has appointed **David Brown** as the new managing director of the firm's Bermuda office.

In his new role, Brown will target European and US fund managers for both their fund domicile and for the location of their funds' operations.

He replaces Apex's group managing director, Peter Hughes, who has managed the Bermuda office since he founded the company there 10 years ago.

Brown previously held the role of senior manager of operations for Butterfield Fulcrum. Prior to this he held a senior management position at CACEIS Investor Services.

Annalisa Winge Bicknell has left SEB for BNP Paribas Securities, where she is now regional head of sales and relationship management for institutional clients.

She joins from SEB where she was asset servicing consultant for the Nordics, Luxembourg and Germany. Throughout her career, her focus has been on asset management, custody, international clearing, fund administration, treasury and intermediary services.

Previous roles include head of international sales at Northern Trust, Nordic regional manager at Clearstream Banking in Luxembourg and relationship manager at Morgan Stanley. She started her career at Barclays. **AST**

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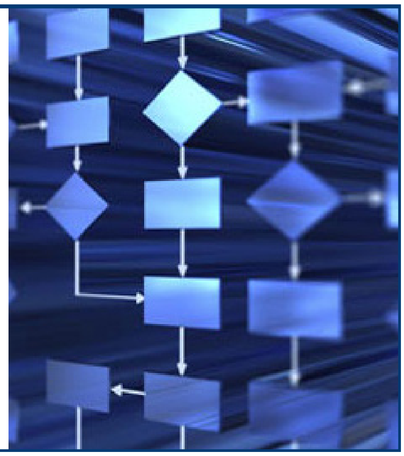

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