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Markit scoops up corporate actions data provider from DTCC

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Markit has acquired the assets of Global Corporate Actions Validation Service (GCA Validation Service), a corporate actions data provider, from the Depository Trust & Clearing Corporation (DTCC).

The acquisition was made with the aim of expanding Markit's reference data offering, and the company's ability to provide managed services to the global financial markets.

Increased risk management has led to calls for corporate actions processing to be improved in the last few years.

Thomson Reuters is promoting migration to the ISO 20022 messaging standard for corporate actions, with collaboration from Brown Brothers Harriman, DTCC, Fidelity ActionsXchange, Information Mosaic and XSP, now part of SunGard.

In March, Information Mosaic announced that it was to work with Thomson Reuters to integrate its ISO-based corporate actions data feed with its own corporate actions solution, IMActions.

DTCC is itself also pushing the move to 20022, with its Corporate Actions Reengineering Project hoping to be completed by 2015.

Kevin Gould, president of Markit, said that acquiring DTCC's global corporate actions service will allow the firm to address customer demand for an outsourced service for the critical task of managing and validating corporate actions.

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ASTINBRIEF

Union Bank of Taiwan signs with Calastone

Union Bank of Taiwan, a financial services provider and fund distributor in Taiwan, is the second distributor to sign up with Calastone through the new Taiwan Depository & Clearing Corporation (TDCC) fund service.

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Linkage found along the Cofunds/Euroclear line

Cofunds is linking to Euroclear's EMX message system for further electronic fund transaction order routing, enabling it to reach 95 percent STP in its interaction with fund managers.

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Markit scoops up corporate actions data provider from DTCC

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“The industry is focused on creating operational efficiencies, reducing risk and lowering fixed costs. The GCA Validation Service and its team of experienced professionals uniquely positions Markit to meet our customer needs.”

As part of Markit, the GCA Validation Service will continue to benefit from DTCC @Source—a source of corporate actions data for North America. IDC and Six Financial Information, long-time providers to the GCA Validation Service, will also continue to be data suppliers to the service.

Markit will add further data sources, such as Euroclear Bank’s corporate actions data for Eurobonds, to the GCA database. Markit has been distributing Euroclear Bank Eurobond data as part of a partnership the two companies announced last year.

The GCA Validation Service is used by brokerage firms, banks, hedge funds, investment managers and service providers with the end goal of ensuring accurate and timely processing of corporate actions.

Its team will continue to support the service, with Markit intending to offer customers an expanded universe of data sources with more timely notification of corporate actions.

Union Bank of Taiwan signs with Calastone

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The announcement follows last month’s successful implementation of Far Eastern International Bank on Calastone’s TDCC service with 10 offshore fund houses distributing in Taiwan, including Aberdeen, Alliance Bernstein, Barings, Fidelity, J.P. Morgan Asia, Pinebridge, Schroders, Old Mutual and Threadneedle.

Hann-Tsau Tsai of Union Bank of Taiwan said: “Calastone was the obvious choice for us, given their outstanding offshore fund manager and transfer agent coverage and their proven track record in automating fund transactions globally.”

Low Hon Yu, COO at Aberdeen Asia, said: “Automating our first distributor via the TDCC service in Taiwan is another step in our strategy to increase our automation rates in the region, following a similar roll-out for funds we manage in Australia and Singapore. The response to Calastone’s initiative has been very positive, and we expect with Union Bank and Far Eastern’s lead other distributors will soon join the TDCC service.”

Sebastien Chaker, head of Asia for Calastone, said: “With several million manual orders being processed annually, Taiwan is the top automation priority for our global fund manager clients and in response Calastone has made significant investments in technology and human resources to tailor our service for the Taiwan market.”

Linkage found along the Cofunds/Euroclear line

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The Cofunds platform, which is responsible for administering fund holdings worth more than £50 billion, offers its clients the benefits of automation for the full fund transaction life-cycle. In addition to the current automated processes on offer, the fund platform’s clients can now route aggregated orders through the Cofunds link with Euroclear’s EMX Message System.

Mark Hopcroft, head of institutional distribution at Cofunds, said: “The increased levels of processing efficiency that our cooperation with Euroclear UK & Ireland provides is common business sense.”

“In a world where stronger focus will be on providing capital market transparency, efficiency and cost control, it will be those fund management houses that have embraced proven channels for automated distribution that can expect to see their AUMs soar.”

“What we are doing with Euroclear UK & Ireland echoes the commitments we made to clients last October—to remain focused on ensuring that everything we do enables clients to demonstrate value, drive efficiencies and increase the importance they play for end investors.”

John Trundle, the CEO of Euroclear UK & Ireland, said that the wide scope of their service enables Cofunds to route their orders in an electronic way to an additional 25 fund issuers, where previously they relied on less automated channels.

The EMX message system is fully integrated within the post-trade infrastructure of Euroclear UK & Ireland where platform clients and other trade originators can choose from a comprehensive portfolio of order routing, settlement and custody services.

Fund orders from institutional firms, or IPAs for retail market business, can be routed from fund platforms to Euroclear UK & Ireland’s EMX message system, which interfaces electronically with transfer agents and the fund managers they service.

Guernsey’s chief minister talks tax with Cameron pre-G8

Prime Minister David Cameron invited Guernsey’s chief minister, deputy Peter Harwood, to attend the pre-G8 ‘open for growth’ meeting at Lancaster house on 15 June to discuss tax, trade and transparency with governments from around the world.

The meeting—which is part of the UK’s G8 tax, trade and transparency agenda—was also attended by Deputy Harwood’s counterparts from Jersey and the Isle of Man, as well as representatives of the G8 members from African and Latin American nations, and from the UK’s overseas territories.

Deputy Harwood said: “We had a frank conversation with the Prime Minister, and I asked him to acknowledge the strong track record Guernsey has on tax transparency, on information exchange and on beneficial ownership—the latter demonstrated by Guernsey being one of the few jurisdictions in the world, including G8 members, to actually regulate trust and corporate service providers.”

“Guernsey welcomed the G8 and this meeting as opportunities to set out our leadership on tax and transparency. It was certainly useful to meet other participants in the tax session and to ask them to look beyond political rhetoric and judge Guernsey on the actions for tax transparency and against tax evasion that it has taken.”

The UK also used the meeting to set out its commitment to the Multilateral Convention on Mutual Assistance in Tax Matters. In addition, the UK announced its intention for all of the G8 members to publish ‘national action plans’ on beneficial ownership on 18 June.

Deputy Harwood said: “I welcome the UK’s commitment to improve the supervision and enforcement of company formation agents in the UK and other jurisdictions, and which will bring those jurisdictions up to the standards that have been in place in Guernsey since the year 2000.”

“However we also recognise that Guernsey has an obligation to maintain its position among those jurisdictions who show leadership on the recording of details on beneficial ownership. For that reason we will also set out an action plan of steps that will further strengthen the procedures we already have in place to prevent the misuse of companies and legal arrangements in Guernsey.”

SGSS expands custody reach to Ghana and Tunisia

Building on its custody services offer in sub-Saharan Africa, Societe Generale Securities Services (SGSS) is setting up in both Ghana and Tunisia.

SGSS will provide custody of Ghanaian equities and bonds and a comprehensive foreign exchange and cash management service to a clientele of Ghanaian and foreign investors, frontier market funds and other players looking for increased exposure to the Ghanaian market.

“Clients benefit from the local knowledge and expertise of a dedicated SGSS team located within SG-SSB, a subsidiary of Societe Generale group, which is directly linked to the pan-African integrated services platform developed by SGSS in South Africa,” said a statement from the firm. The platform will be deployed in other African countries in due course.

The firm also announced that it is to open a new office in Tunisia to further develop its custody services offering on the African continent.

Located in Tunis within the Union de Internationale de Banques—a subsidiary of Societe Generale group—SGSS will provide a new custody platform in line with international standards.

Via the new platform SGSS will become the first international player to provide custody services in Tunisia to a clientele of local and international institutional investors.

The Tunisian and Ghanaian set ups mark a further step in SGSS' strategy to become a major securities services player on the African continent.

Clearstream slashes Croatian custody fees

Clearstream is making up to 45 percent cuts to its custody fees for the Croatian market, effective from 1 July 2013.

Marking Croatia's accession to the EU with this fee reduction, Clearstream aims to further help attract global investors to the Croatian capital markets.

The firm has serviced the Croatian market since 2005, across asset classes as part of its settlement and custody network in Europe.

It is able to offer custody fee reductions for its Free of Payment (FOP) custody service by working together with Erste Group Bank AG as custodian and local bank agent Erste and Steiermärkische Bank DD, which help manage and operate its overall setup and indirect link to the Croatian central securities depository, Središnje klirinško depozitarno društvo dd.

Eligible security types for the Croatian market via Clearstream continue to include equities, government, municipal and corporate bonds and commercial papers.

Philip Brown, head of client relations for Europe and the Americas and member of the executive board at Clearstream, said: "Croatia's accession to the EU will be a positive step in further political, economic and social integration in the EU—and is also a great sign of the Western Balkan region opening up its capital markets."

"By cutting our custody fees for the Croatian market, we aim to help attract global investors to Croatia and the Western Balkan region more widely. Looking ahead, we will continue to listen to our customers and develop our settlement and custody services to facilitate the evolution of capital markets."

Croatia is currently gearing up to join the EU next month, after applying for membership in 2003.

EACH wants CCP exemption from bail-ins

The European Association of CCP Clearing Houses (EACH) is urging regulators to exempt CCPs from the bail-in provisions of the banking recovery and resolution framework proposal.

In its regular monthly meeting on 7 June 2013, EACH discussed the recent plans to amend certain elements of the banking recovery and resolution framework. The association was fully supportive of a clause which stipulates the exclusion by resolution authorities of liabilities arising from derivatives cleared and settled through an authorised CCP.

Not carving out contracts cleared through CCPs from the scope of bail-in would result in obstacles to the proper operation of CCPs, said the firm, adding that it would substantially reduce the effectiveness of a CCP's default procedures, and increase the risk of contagion to other market participants.

"In the event of member default, CCPs have rigorous procedures for the closing out of clearing members' positions to re-establish a matched book. These arrangements crystalise losses at the earliest possible stage, and prevent contagion to other market participants."

The inclusion of centrally-cleared contracts in the bail-in provisions of the bank recovery and resolution framework would potentially prevent CCPs exercising such procedures, added the firm. A CCP would be unable to liquidate a position with a failed clearing member which is subject to bail-in provisions. This would place the CCP in a position where it holds an un-matched book, increasing systemic risks.

"This important exclusion prevents potential damage to the stability of CCPs and consequently to the financial system and is consistent with the default management procedures in EMIR," said chairman Marcus Zickwolff.

The members of the association also confirmed the replacement of Rory Cunningham, LCH.Clearnet, by his colleague Perrine Herrenschmidt, head of public affairs at LCH.Clearnet.

"I would like to thank [Cunningham] for his dedication and hard work over the last years," said Zickwolff. "Without his constant and earnest commitment, the professionalisation of our association would not have taken place."

Horizon Cash Management targets emerging managers

Horizon Cash Management has created an account that aims to provide small and emerging fund managers with a safe alternative for cash balances that are in excess of margin requirements.

Horizon is an investment advisor specialising in active cash management solutions for the alternative investment industry.

"The Emerging Manager Fund Cash Account is unique because the typical separate institutional cash management account requires a minimum balance of $10 million or more, especially one that requires custody. Horizon's new account requires just $1 million for cash balances that are in excess of margin requirements," said the firm.

"[We] recognised that emerging managers and other small funds need cash management outside of their Futures Commission Merchant (FCM) accounts, after witnessing what occurred during the recent implosions of MF Global and Peregrine Financial Group. The excess cash left in those FCM accounts was held up in bankruptcy."

This recognition was verified by Horizon's 2012 CTA/CPO Survey, The Aftermath of MF Global and Peregrine Financial Group Meltdowns: A Crisis of Trust. The results of their survey revealed that 63 percent of respondents have been in business less than 10 years, and 54 percent of respondents manage under $5 million.

Of those respondents, 73 percent have been impacted by at least one FCM failure. Just over $390 million of customer segregated funds were initially frozen in the bankruptcies experienced by this group.

Diane Mix Birnberg, Horizon founder and chairman, said: "We saw that emerging managers need solutions for protecting customers assets, and we responded with a product idea whose time has come. Horizon is happy to assist new and smaller managed futures funds with a cash management account specifically created for these emerging managers and their investors."

Eurex rolls out new trading system

Eurex Exchange has completed its migration to Deutsche Boerse Group's global trading system. The fixed income derivatives segment was the last product group to migrate from the previously used system.

The new platform meets the needs of Eurex Exchange participants in terms of enhanced performance, efficiency and capacity, more connection options and improved functionality.

The new system offers more flexibility, which will also enable faster time-to-market implementation in the future. The messaging architecture also provides low latency and faster communication and is based on reliable database systems.

"With the introduction of the new trading architecture, Eurex proves again its position as an innovative exchange. Part of their success is the open communication with their members and providing a transparent system," said Hans Pieterse, head of market structure Europe at Optiver.

"The new matching engine brings capacity without compromising on the importance of safety in a trading environment. This combined will enable market makers like Optiver to continue posting tighter spreads for end investors to trade."

Boosted depository costs may outweigh advantages of AIFMD

Polling sessions during Clearstream's Fund Summit in Brussels revealed that 60 percent of the 150 delegates anticipate that the increase of costs for depositories posed by the new Alternative Investment Fund Managers Directive (AIFMD) rules will be significant and will outweigh the advantages.

On the alternative fund manager side, 56 percent of delegates said AIFMD will significantly affect their operational, legal and/or governance model set-up.

Forty-seven percent of delegates—representing investment fund distributors, fund managers, asset managers and transfer agents—stated that, going forward, alternative investment funds will be marketed with an EU passport.

Restrictive private placement regimes at national levels were the key reason for this anticipation. Another 47 percent of market experts expect the use of both distribution models (with and without an EU passport) in parallel until 2018 when private placement rules are abandoned.

Philippe Seyll, a member of the executive board and head of investment funds services at Clearstream, said the discussions at the

summit clearly demonstrated that there is still a high level of uncertainty imposed by AIFMD in the industry.

"We are engaging with a broad cross-section of the fund industry including the distributors, transfer agents and depository banks to help the market meet its increased obligations following AIFMD," he said.

"We are adding value in terms of risk management obligations of our customers that are under increasing focus in the new regulatory regime. Discussing these issues at another successful fund summit confirmed that we are on the right track with our envisaged service offering to depository banks and prime brokers that represent AIFs (alternative investment funds)."

Guernsey treads down the AIFMD road

Guernsey is now accepting Alternative Investment Fund Managers Directive (AIFMD) applications as marketing rules are implemented.

On 7 June, the Guernsey Financial Services Commission (GFSC), the island's financial services regulator, issued Guernsey's domestic AIFMD marketing rules, together with a notification form, and have confirmed it is able to accept applications prior to 22 July.

The GFSC has also provided a set of frequently asked questions that will be updated as the EU-wide implementation of AIFMD unfolds.

This most recent development follows approval from the European Securities and Markets Authority (ESMA) of the bilateral agreements to be signed that will create a formal framework of cooperation on matters of mutual interest between the GFSC and the equivalent bodies in the EU member states, Croatia, Iceland, Liechtenstein and Norway.

Fiona Le Poidevin, chief executive of Guernsey Finance, said: "Together with the ESMA announcement, the approval of Guernsey's domestic marketing rules demonstrates that Guernsey is well prepared for 22 July, when AIFMD goes live across Europe. Indeed, this gives certainty to those currently using or considering using Guernsey as a fund domicile, in terms of the Island's approach to the directive."

"The momentum continues as a consultation is expected shortly on the full AIFMD equivalent opt-in rules which Guernsey will introduce in due course. These opt-in rules may allow bilateral marketing of an AIF (alternative investment fund) product to certain EU member states prior to the implementation of a third country passport regime."

The European Commission is expected to implement the full passporting regime for non-EU managers of alternative funds in July 2015.

The directive provides the framework to establish the passporting regime, but until this is implemented and operating effectively, Guernsey managers will continue to market under National Private Placement subject to any additional regulatory reporting under the domestic rules of each member state.

Russian market sparks for SmartStream

SmartStream Technologies has partnered up with Alliance Factors, a financial services solutions provider and SWIFT service bureau based in Russia, in order to meet the demands of a growing client base in the region.

Alliance Factors specialises in business-to-business payments, back-office automation, compliance management and other STP-based solutions.

Together with SmartStream they will help the Russian client base address STP driven challenges in the back-office for reconciliations across all asset classes, cash and liquidity management, corporate actions and data management services.

Alastair McGill, executive vice president of business development at SmartStream Technologies, said: "Alliance Factors have good practical on-ground experience and skilled staff and are therefore able to provide high quality services including consulting, implementation, training and maintenance for our strong pipeline of customers in the region."

Broadridge steps up to the plate in Japan

Broadridge Financial Solutions has brought on new clients for its domestic and cross-border post-trade solutions in Japan.

"We are privileged to support a growing number of Japanese customer operations, for both on-shore and cross-border processing," said Akhter Khan, head of Asia Pacific securities processing solutions at Broadridge.

"Japan is a strategic market and we are experiencing positive growth in response to our investments in leading solutions."

New clients on-boarded include a top-tier global investment bank now running live on Broadridge's Affiliate Matching & Settlement solution, which is already improving the cost-effectiveness of clearing and settling Japanese equities in Tokyo for its affiliated overseas broker-dealer entities, said Broadridge.

"The solution, now operational at two brokers in Japan, enables firms to rationalize complex cross-border processing flows, match and reconcile inter-company trades, provide custody services such as corporate actions processing, and reduce custodian and network management costs."

The firm has also signed a series of new client contracts for its JASDEC and Bank of Japan connectivity and processing solutions for on-shore Japanese broker-dealers with equity, Japanese government bond and yen payment operations.

Clearing brokers encourage CCS initative

Four of the largest OTC derivatives clearing brokers have confirmed their support for the Clearing Connectivity Standard (CCS) initiative to standardise reporting for cleared OTC derivatives.

As part of the US Dodd-Frank Act of 2010, the Commodity Futures Trading Commission (CFTC) has mandated certain OTC derivative products be centrally cleared, giving 10 June 2013 as the second of three mandated clearing implementation dates.

Custodian banks BNY Mellon, J.P. Morgan, Northern Trust and State Street have previously supported the CCS standard to satisfy reporting requirements.

Now, Bank of America Merrill Lynch, Barclays, J.P. Morgan and UBS have all announced their support for the new derivatives reporting standard.

The standard is expected to be used by clearing brokers to transmit information about cleared OTC derivatives trades and margins to their asset manager clients, custodians and service providers.

Ray Kahn, head of OTC clearing at Barclays, said: "The CCS format will simplify and align margin and portfolio reconciliation process. We're pleased to join the core group of market participants in supporting and adopting this standard, as we see it as a solution that will help to drive post trade efficiencies for our clients."

"As the industry moves to implement mandatory clearing, the absence of a formal standard for formatting and transmitting margin and position data was a significant hurdle to achieving efficient and cost effective connectivity between market participants," said Andres Choussy, global co-head of OTC clearing at J.P. Morgan.

"We are pleased that this industry collaboration has successfully produced this standard as this will facilitate operating in the new market environment."

CCS provides standardised connectivity and reporting for central counterparty-eligible interest rate and credit default swap products through LCH.Clearnet, the CME Group, and Intercontinental Exchange.

The International Swaps and Derivatives Association CCS steering committee is working with futures commission merchants (FCMs) and custodians to include additional products, participants, and geographies.

BNP Paribas works on its DNA

BNP Paribas Securities Services has launched DNA, its performance and risk management web-tool, for the iPad.

The division stated that, due to asset managers and institutional investors looking for ways to better measure risk and analyse performance, this trend has been growing substantially in the last 12 months, with an exponential spike since the launch of high-tech tablets.

Over 30 percent of clients have adopted the DNA online offering, now available on iPad.

Diogo Malato Moura, responsible for risk and performance products, said: "Providing high end data on risk and performance is becoming crucial in today's world. Existing and new clients are looking to opt directly for online risk and performance reporting, taking advantage of tablets. This trend is growing significantly and we anticipate 80 percent of asset managers active with institutional clients to replace paper reporting by delivery through online tablets by 2015."

Chapman's Eye on the market

Polished article

At the risk of being accused of being more of a travel reporter than a commentator on the securities industry, this issue's article is coming to you from the delights of Poland and the 13th Network Management conference, or NeMa as it is better known. This event has grown to a point where it now attracts more than 420 delegates, and such is its success that it has been replicated with sister events in the US, Middle East, Asia and, this coming October, the first ever NeMa Africa will take place (interestingly in London on this occasion as opposed to Cape Town or Johannesburg).

It is a superb melting-pot cum clearinghouse where the buy side and sell side in their various forms meet to share ideas, hear updates, make new connections and seal deals during a series of formal meetings and presentations, and in informal meetings, catch up on industry trends, gossip and swap thoughts on personal development.

So far, the overall mood is actually positive despite the travails of the business generally: RFPs are being issued and responded to; mandates are being won (and lost); new markets being opened up; and banks are invariably coming to accept that the incessant waves of regulation can be managed and, in some cases, commercialised without detriment to the underlying client base.

There are concerns that in the bigger picture there is no light at the end of the tunnel for the industry as a whole until such time as interest rates return to a level of 'normality'—three or four years is the current best guess. Even then, the industry will look very different, with few standalone securities services businesses within banks, following increasing convergence into invesment banking/capital markets divisions at a high level, and equally, convergence of cash and securities at a lower level, but at least there will still be life left in our industry as we know it.

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

Paul Chapman, managing director, HornbyChapman Ltd


Reaching milestones is what we do
Milestone Group is an innovative supplier of fund processing, oversight, and distribution solutions to the funds management industry.
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Mandate Mangle

Mazor Robotics has named **BNY Mellon** as depository bank for its American depository receipt (ADR) programme.

Each Mazor Robotics ADR represents two ordinary shares and trades on NASDAQ under the symbol 'MZOR'. Mazor Robotics ordinary shares trade on the Tel Aviv Stock Exchange under the same symbol.

Mazor Robotics develops surgical guidance systems and complementary products in the spinal surgery market that have been used in more than 35,000 implants in the US, Asia and Europe. Its flagship product, Renaissance, enables surgeons to conduct spinal surgeries accurately.

"The momentum created by the successful market penetration of our Renaissance systems, coupled with the availability of our ADRs on NASDAQ, means US investors will be able to share in our continued progress," said Ori Hadomi, president and CEO of Mazor Robotics.

Christopher Kearns, CEO of BNY Mellon's depository receipts business, added: "Mazor's decision shows yet another Israeli company understanding the many benefits of depository receipts both for issuing companies and their investors abroad. We believe their listing in the US has the potential to widen Mazor's investor base dramatically."

The bank picked up another ADR mandate from LightInTheBox Holding Co, an online retail company that offers a wide selection of lifestyle products to consumers around the world.

Most of their products are sourced directly from China-based manufacturers, and they work closely with them to re-engineer their manufacturing processes to achieve timely delivery of a variety of products.

"We are excited to be the first Chinese company to complete an IPO in the US this year," said Richard Xue, CFO of LightInTheBox.

"We believe the US capital market continues to have the deepest, most developed pool of investors, and listing there is consistent with our strategic approach to establishing our investor base."

Christopher Kearns, CEO of BNY Mellon's depository receipts business, said: "LightInTheBox's initial public offering heralds China's return to US markets."

"We are committed to providing the company with the resources and expertise they'll need to support their strategic initiatives and the needs of their shareholders."

BNY Mellon has also taken on more work from the US arm of ING Investment Management, expanding on its mutual funds mandate to include the provision of fund accounting and administration, custody, and transfer agency services for two 529 college saving plans.

ING was named programme manager for the Wisconsin Tomorrow's $1.4 billion-in-assets Scholar 529 Plan in November of 2012 and for the $150 million-in-assets Iowa Advisor 529 Plan in March of 2013.

It handles all investment, product, marketing, sales and distribution, customer service and recordkeeping activities for the two programmes.

"As the cost of higher education continues to rise, it's no surprise that college tuition has become one of the biggest concerns investors face today," said Michael Roland, managing director and COO for ING Funds. "Savings vehicles like 529 plans are becoming increasingly popular, and our goal is to provide these options as a way to help advisors and their clients meet their investment objectives with confidence."

Workers' compensation insurance provider, Pinnacol Assurance, has selected **State Street** to provide full custody and accounting services as well as compliance monitoring and performance and analytics solutions.

David Bomberger, chief investment officer of Pinnacol, said: "After an extensive review of several providers, we found State Street's offering, particularly its investment accounting services, to be a key differentiator."

RBC Investor & Treasury Services will provide global custody, fund accounting, transfer agency, cash management, collateral management, securities lending, and risk and investment compliance services to Polaris Investment after being named the fund manager's global custodian.

In operation since February 2004, Polaris is the largest Italian platform domiciled in Luxembourg. It manages in excess of €6 billion of assets belonging to institutional investors.

Professor Alessandro Penati, director of Polaris, noted RBC Investor & Treasury Services's expertise in fund servicing, securities lending and collateral management, and its strong track record in managing complex pooling structures, as reasons for the mandate.

UBS has appointed **Clearstream** as its primary international central securities depository (ICSD), in a move that will consolidate the majority of its securities custody, settlement, and financing business.

Following an intensive 18-month assessment, which included a review of the global securities business of UBS's investment bank and wealth management business, the bank decided to realise front to back synergies using Clearstream.

It cited a strategic fit, flow consolidation and global securities financing services including Clearstream's Global Liquidity Hub for integrated securities lending, borrowing and collateral management services, as key reasons for the decision.

UBS Group aims to transfer the majority of its global investment bank business to Clearstream, who already services its wealth management business.

The phased migration is planned for late 2013. Ulrich Hoffmann, UBS's head of group operations, said: "Our decision to appoint Clearstream as UBS' primary ICSD helps create synergies across the UBS Group. This is consistent with our group operations' strategy to further simplify, align, and consolidate our network and post trade processing, across all business divisions where possible."

Kubera Cross-Border Fund has appointed **IOMA Fund and Investment Management** as its administrator, registrar and company secretary.

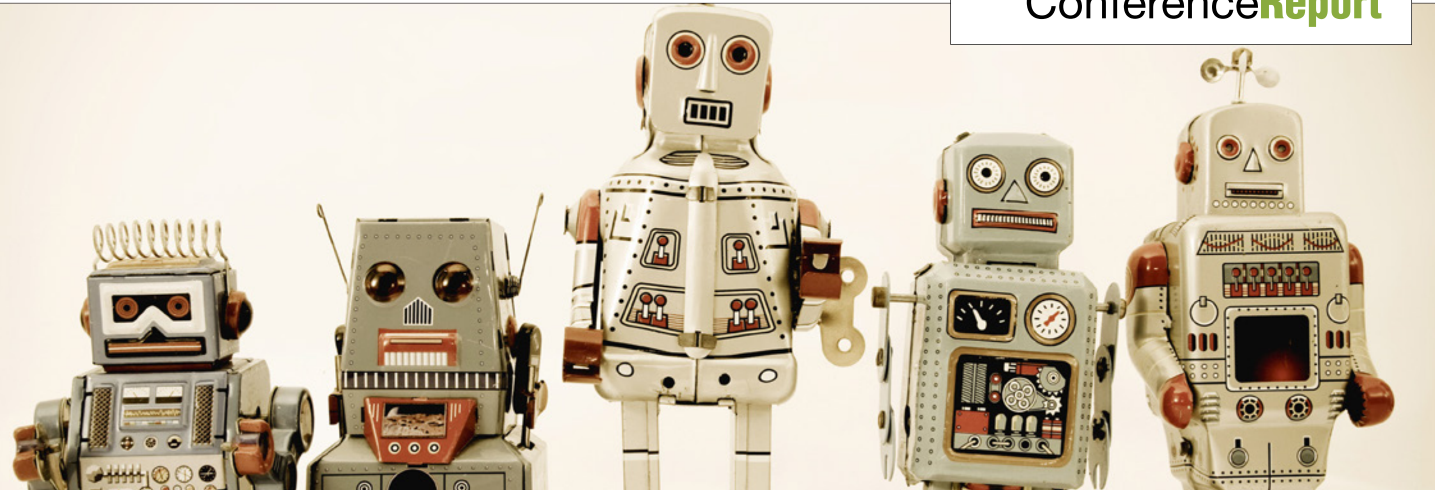
Kubera Cross-Border Fund is an investment company traded on the AIM market of the London Stock Exchange that is managed by Kubera Partners.

The company makes private equity investments in cross-border companies, primarily in businesses that operate in the US-India corridor.

IOMA will be paid an annual fee of $95,000, charged quarterly in arrears. The administration fees will be reviewed annually and will be adjusted by mutual agreement following the disposal of any substantial asset held by the fund.

IOMA will work closely with Cim Fund Services in Mauritius, which will continue as administrator and secretary of Kubera Cross-Border Fund in Mauritius, a subsidiary of the fund, and will continue to assist in providing administrative services to the fund and its other subsidiaries.

Kubera Cross-Border Fund has also amended the terms of its agreement with its investment manager, Kubera Partners, reducing the investment management fees by the amount of the administration fees payable to IOMA.



A collective endorsement

The UCITS brand was the hot topic at the Irish Funds Industry Association—both for its use in loan funds, and wavering presence in Asia

GEORGINA LAVERS REPORTS

“Constant vigilance”, while a slightly wearing prospect, was the take-away from the Irish Funds Industry Association, where the city of Dublin played host to fund managers and service providers alike over the course of the two-day conference.

Patrick Brady of Ireland’s central bank kicked things off, noting key statistics of net inflows into UCITS for Q1 this year at €1.5 billion. In Ireland, NAV assets for UCITS broke through €100 billion for the first time.

Brady spoke of constant and complex development as imperative to the funds industry, warning that the industry must be continuously aware of regulatory matters in responding to emerging risks. He added that Ireland’s central bank welcomes the EU single market’s stance in regulatory development. It has also showed great commitment to the European Securities and Markets Authority (ESMA), with the bank’s policy and risk departments having increased their allegiance to both the International Organization of Securities Commissions’s (IOSCO’s) and ESMA’s committees.

Though Ireland is at the end of its EU Presidency, it was hoped by all in the room that the subsequent Lithuanian presidency that will take forward UCITS V.

As for compliance with regulation, Brady made it clear that complaining about change was not an option.

“We all need to accept that for the FSB, the IOSCO boards, etc.-the funds industry is on their agenda ... We need not just not to accept that, but to get on board.”

Of particular interest was Brady singling out money market funds and loan funds as ones to watch.

Loan funds involve seeking different forms of lending for corporate and small- and medium-sized businesses rather than banks, and Brady suggested that perhaps a collective investment type of fund such as UCITS could be used for loans, with the promise that the central bank will be putting out a publication soon on the matter.

A panel on distribution saw players from PricewaterhouseCoopers, Citi and more discuss the relative success of funds.

Angela Bilick of Nuveen Investments said that over the last 10 years, the firm has acquired mutual funds generally, and has seen opportunity for smaller asset managers.

Nora O’Mahony of GAM stated that she has seen a big emphasis on absolute return funds, and in the US institutional space, funds of hedge funds have played an important role. She added that her firm has seen movement into long-equity books.

Paul Holmes of Bank of America Merrill Lynch commented that assets in the hedge fund industry fell significantly post-crisis, with funds of hedge funds proving very important. He said: “Here’s a demand for risk/return profiles that alternatives can provide. But in Europe, raising assets has been very difficult; if you look at the last two or three years, the majority of raising has been going on in the US.”

“In the US, ‘40 Act for alternatives have taken off, and we look across enviously at the growth there. But I am seeing possible developments in Europe. From a product perspective, we want to have as wide a range as possible.”

Alwyn Li of Deacons brought a Hong Kong perspective. Li advises on the establishment of offshore funds for retail distribution and private offering and preparation of fund documentation, and assists clients in establishing and seeking the Securities & Futures Commission’s authorisation of collective investment schemes in Hong Kong. When asked if the mutual recognition agreement between Hong Kong and mainland China would affect a more internationalised UCITS brand, Li admitted that it would have some effect, but that UCITS would continue to survive.

“In Hong Kong right now, if you set up a Hong Kong-domiciled unit trust with a Hong Kong manager, eventually you will be able to bring that product into mainstream China and sell it. Having said that, I think there will always be room for UCITS.”

“To be honest, I think it is quite unfair to Ireland. The whole recognition was based on the Hong Kong government going to China and asking them for favours. Hong Kong managers are being asked what kind of products they can offer to China and initially, the fact that it’s all Hong Kong managers means that you won’t have that global view. At least from a UCITS perspective, you have a wide range of products globally.”

The conversation turned to collateral, and Fergus Pery of Citi Transaction Services said that the recent arrival of Category 2 of the US Dodd-Frank Act will be felt by the industry for several years.

“One of the impacts of central clearing will be higher costs of swaps trading, so fund managers need to be ready to assess pricing differences between cleared and uncleared swaps. Additionally, additional collateral will be required: for long only managers, we’re not used to posting additional collateral upfront on long duration swaps. Funds who are used to posting securities as collateral will have to post cash.”

“This all points to additional operational costs. For funds trading OTC derivatives, economies of scale will become a critical factor.” **AST**

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Needs must when the devil drives

Institutions must follow the liquidity of their collateral on a daily basis. AST finds out more from Isadora Pardo of Linedata

GEORGINA LAVERS REPORTS

Could you describe Linedata and what the firm is concentrating on at the moment?

We are a software company and are based in the UK, in Luxembourg, France, in the US, in Asia and also in Riga, Latvia. We've been around for 20 years servicing the asset management industry with software, starting with fund accounting systems. What our clients are now finding interesting are our control solutions.

In Luxembourg especially, we focus on the investment compliance side, and in everything around risk management. Take liquidity risk, for instance—it used to be something that only the hedge funds were concerned with, but now everyone is talking about it. Obviously this is a factor for alternative funds, but UCITS funds, pension funds and insurance portfolios are also affected—everybody is concentrating on risk.

In liquidity risk, you have two parts. First is the liquidity of your assets: you want to make sure that if you need to go onto market and sell part of your positions, this will go smoothly, and you will not suffer a loss or wait for a couple of weeks to be able to sell your position.

The other side is the liquidity of your liability. You don't want all your investors to redeem at the same time, you don't want redemptions to be over subscriptions, you want to have adequate cash, and you want to follow all of these trends to take any decisions required when things are showing errors. This is something that we are concentrating on more and more within our systems.

With regards to investment compliance, it has been around for 10 to 15 years now, so we find that pretty much, everyone is equipped. Obviously, its evolving through time—you have new requirements, new assets emerging, new derivative instruments, so you need to adapt your rules as the years run by to deal with these issues. But everybody is pretty aware of it, whereas liquidity is a relatively new idea. Collateral management is another.

What do you make of the AIFMD?

The CSSF is the local Luxembourg financial services authority, and the Alternative Investment Fund Managers Directive (AIFMD) seems to be the new big topic due to the fact that the Luxembourg CSSF needs funds to be compliant by July, so most of our clients are working on this. AIFMD has reporting duties put on alternative funds that are similar to existing duties on UCITS. In addition, AIFMD puts extensive reporting duties on alternative investment fund.

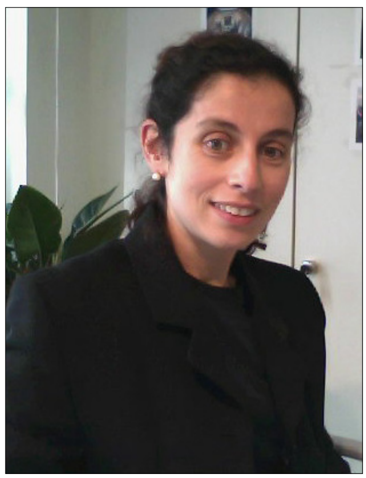
So at first, funds would think, maybe it's a bit of an effort to put it into place. UCITS was such a great commercial success. The UCITS stamp could open doors to selling your fund throughout Europe and even Asia. I believe that this success may be reciprocated for the alternative funds. It's going to open up that many more opportunities to sell in Europe and in Asia, that we think it is really a good thing, although there is an effort with the introduction.

What is the definition of good collateral management?

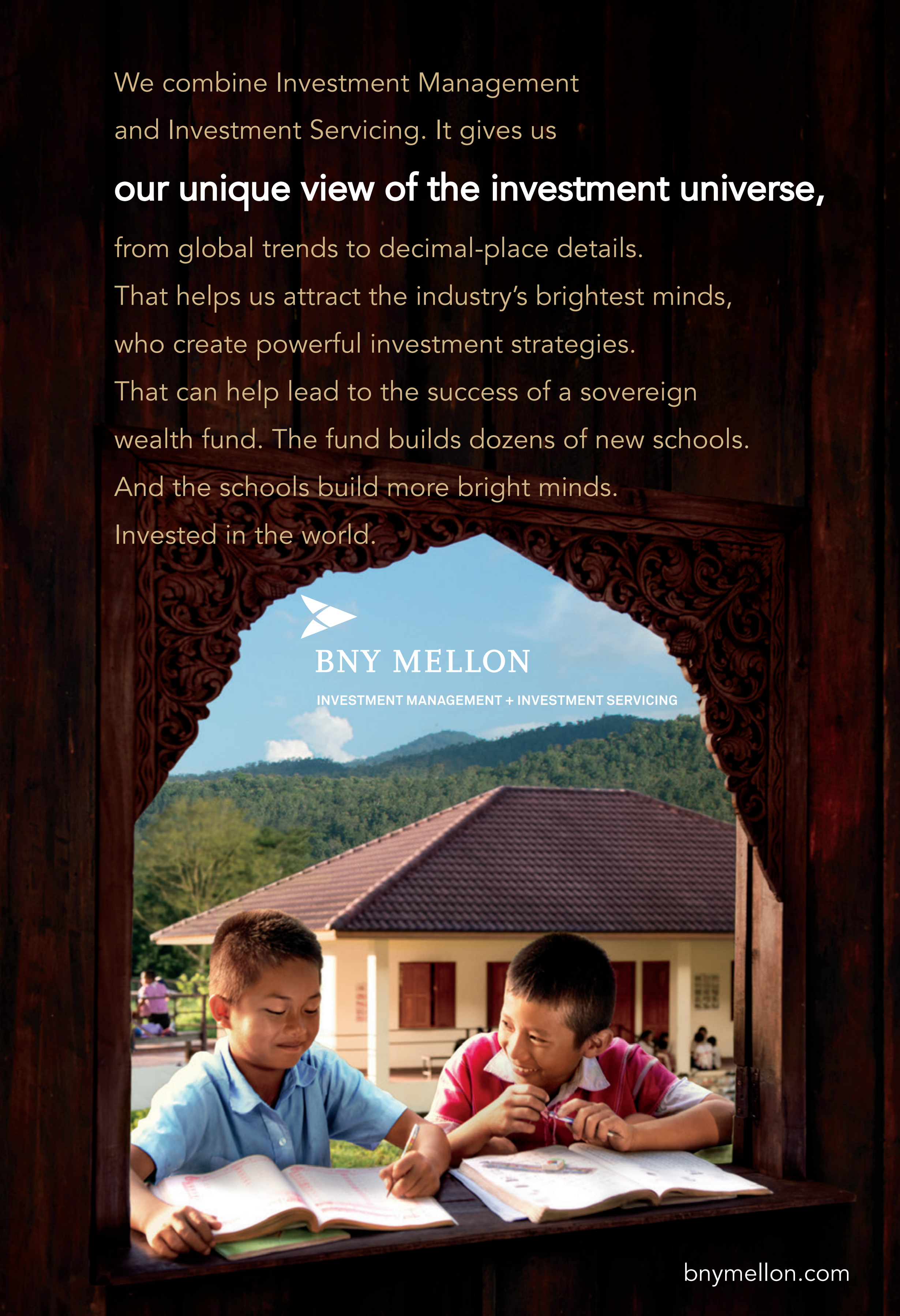
Two things: first thing is, you need to have a system that can do the controls for you. One that can check the value of your assets with the value of your collateral, that can apply the right haircut to your collateral, the right add-ons to your assets, and the system should be able to do that daily without having someone crunching the numbers, and just show you an exception so you can manage the collateral inflows and outflows.

But behind that, there's something that's really important, and that is database management. I think that all the data required to do that is very heavy. You need to have all the information on your collateral, you need to link the actual collateral to your contract. You can't have a big bulk of collateral just sitting somewhere, it needs to be very dynamically linked to the actual contract.

And this relationship needs to exist for every contract. You need to follow the liquidity of your collateral on a daily basis. Maybe that will change over time, because when you receive cash, that's quite easy, but when you receive securities they could be liquid one day and lose part of that liquidity another day. Not only do our clients need to follow the liquidity of our AUM, they also need to follow that number two portfolio that consists of their collateral and perform similar liquidity and compliance controls as they do on their actual portfolio. We can think about concentration checks on their collateral, credit rating check on your collateral as well—the same battery of tests that would be done on your actual portfolio. AST



Isadora Pardo
Business implementation manager
Linedata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The risk and reward of contracting out

The outsourcing of non-core investment manager functions to third-party service providers is increasingly compelling. AST spoke to representatives of BNP Paribas Securities Services about where the bank is picking up business

GEORGINA LAVERS REPORTS

Say an asset manager outsources its key operations to a large bank. What happens to the asset manager if that bank goes bust? This was the question posed by the UK's Financial Services Authority (replaced in April with the Financial Conduct Authority and the Prudential Regulation Authority), in a letter to domestic fund managers last year.

"Our initial discussions and research have identified that the asset management industry outsources a growing number of activities, and that the small number of outsource providers are usually part of complex international banking groups," wrote Clive Adamson, director of supervision at the FSA at the time.

At a group level, these organisations will have balance sheet exposure to activities other than the provision of outsourcing activities, he said—adding that the FSA's concern is that if an outsource provider were to face financial distress or severe operational disruption, UK asset managers would not be able to perform critical and important regulated activities, and cause detriment to customers.

Despite this rather alarming hypothetical situation, banks are increasingly keen on snatching up some business from asset managers looking to concentrate on their core activities.

Both Northern Trust and State Street have extolled the benefits of outsourcing certain activity to a large bank (as they would), and BNP Paribas Securities Services is aiming to garner some extra business with the launch of its fully outsourced dealing desks in May, on top of offering outsourcing to banks and brokers for the sell side.

The French bank has two models for outsourcing: a buy-side model, whereby dealing services are offered to asset managers, and a sell-side model, which offers outsourcing to banks and brokers.

In a recent event held by the bank, a discussion took place around the growing trend of asset managers and brokers turning to custodians to benefit from advanced technology and specialist expertise via an outsourced model. The conversation also revolved around the growing demand of companies wishing to outsource further provisions such as the middle office, clearing and settlement, and associated functions.

BNP Paribas Securities Services pointed to Oriel Securities, ABN AMRO's Neuflize OBC, and Arden Partners, as just some of its clients that experience benefits such as cost control, economies of scale, and transactional services catering for high and low volumes.

Outsourcing dealing

The routing of orders to a third party for execution is one of the two major outsourcing services offered by the bank. Carl James will oversee the business as managing director of the BNP Paribas dealing services arm in the UK, in a service that aims to recruit smaller buy-side firms that typically have difficulty in developing in-house capability.

As well as helping asset managers to keep apace with technology and new trading rules, James explained that other benefits that a large bank such as BNP Paribas could offer included operation in new regions, trading in live markets, and investing in new instruments. He also noted that even a small dealing team can cost from $1 to 2 million a year—a significant outlay for a smaller firm.

BNP Paribas Securities Services can now execute orders directly from portfolio managers of buy-side firms, removing the need for infrastructure or traders, through the dealing services solution.

James said that there were several pertinent reasons as to why the bank has rolled out its solution this year. Increasing market complexity and fragmentation was one, along with increasing pressure to demonstrate best execution from regulators. Post-MiFID II (the EU's Markets in Financial Instruments Directive), asset managers are finding that the trading arena is far more aggressive than previously, with James mentioning that some pension funds with a dealing desk don't want to enter into capital markets.

Increased costs of staff, systems and market data, and the drive to separate execution and research within credit support annexes, all mean that the decision to outsource is becoming increasingly valid, he added.

The key clients for the service are pension schemes, multi-boutiques and conventional multi-asset firms with up to $75 billion of AUM. Firms with sophisticated technology and quality traders were not necessarily on the list, James commented that in the case of a recent client, there was no OMS or dealer, but a 'false dealer' that acted more as a postman in sending orders onto the broker.

Bank and broker outsourcing solutions

Julien Kasparian, the head of sales for financial intermediaries at the bank, pointed to the spate of headlines over the last two years that suggest that the back office has been pushed to the front of the cost-cutting queue, as part of a larger trend of outsourcing in the sector.

"The equity market is massively shrinking at the moment," said Kasparian, alluding to research by Morgan Stanley that found European markets accounted for 14.5 percent of global equities by value traded in 2012—less than half of what it was in 2006, when Europe accounted for 30 percent of global value.

In 2012, European markets traded shares worth 11.8 trillion, marking its lowest level since 2003, when the region traded $10.3 trillion.

Using these figures, Kasparian concluded that MiFID has had a severe impact on equity market competition, and that firms need to focus on revenue generation and increasing market share, rather than any tertiary functions.

It appears as though the trend towards outsourcing is becoming topical, as firms scrabble to reduce costs following (or in the run up to) the European Market Infrastructure Regulation, the US Dodd-Frank Act, the EU Financial Transaction Tax, and a whole other host of regulatory change—though systemic risk continues to be the elephant in the room.

But what if the banks can promise due care and diligence from the chief executives, robust service level agreements, and good exit strategies? The future may be rosy for placing your non-core businesses into the more-than-willing hands of a big institution. AST

Industry appointments

SS&C Technologies Holdings has appointed **Timothy Reilly** as senior vice president of institutional outsourcing for its institutional services division.

Reilly will oversee SS&C's institutional outsourcing division and lead efforts to enhance its presence in the insurance and asset management markets.

Omgeo has hired **Jeannie Shanahan** as its new managing director of governance, risk management and compliance (GRC).

In this role, Shanahan will focus on developing and implementing risk-based compliance programmes that support Omgeo's ongoing commitment to providing services that reduce operational and counterparty risk and promote regulatory compliance.

Shanahan will lead Omgeo's legal and regulatory compliance initiatives to ensure all Omgeo services promote compliance with anti-money laundering/OFAC mandates, insider trading, records retention and anti-bribery/corruption laws and regulation.

She will additionally drive the organisation's SSAE 16 compliance through control testing and reporting, validating the strength and effectiveness of Omgeo's controls over the integrity of its solutions and the security and confidentiality of information processed through its systems.

Most recently, Shanahan served as a credit risk director with State Street Global Advisors, where she developed and executed global credit risk programmes. Prior to State Street Global Advisors, she held senior management positions at Fidelity Investments and Bank of Boston.

Ruston Smith has been appointed chairman of the National Association of Pension Funds (NAPF).

The new chairman, who is currently group pensions and insurable risk director at Tesco, will succeed Mark Hyde Harrison. His two-year tenure ends at the NAPF Annual General Meeting on 18 October.

Smith will assume his responsibilities after the AGM for a two-year term.

He has held a non-executive role at the NAPF since 2007 and is currently chairman of its council for retirement policy.

The CEO of the Alternative Investment Management Association (AIMA) is stepping down from his role at the end of the year.

Andrew Baker has been CEO since the beginning of 2009, having previously been deputy CEO since 2007. The association is in the process of finding his successor.

Baker will continue in his role until a successor can take over.

Singapore Exchange has hired **Nico Torchetti** as the new head of post-trade services from 1 August 2013.

Torchetti aims to lead the building of SGX's central depository into a robust depository entity with capabilities across multiple currencies and asset classes.

He will also manage all post-trade services provided to retail investors, as well as, the broker and bank custodian segments of SGX's members.

He will report to the exchange's president Muthukrishan Ramaswami.

Prior to SGX, Torchetti served as the global head of product development for sub-custody and clearing with HSBC in Hong Kong.

He joined HSBC from Deutsche Bank where he led the direct securities services division in Hong Kong and oversaw broker-dealer coverage for Asia. He also previously held roles at Fortis Clearing and Credit Agricole Indosuez.

State Street has named **Michael Bell** as executive vice president and member of its management committee, the company's senior-most policy-making and strategy group.

Bell will assume the role of CFO in August, following the planned retirement of Edward Resch, who has served in the role for 11 years.

As CFO, Bell will be responsible for State Street's company-wide financial strategy and functions, including treasury, accounting, tax and reporting and investor relations. He will report directly to Jay Hooley, State Street's chairman, president and CEO. **AST**

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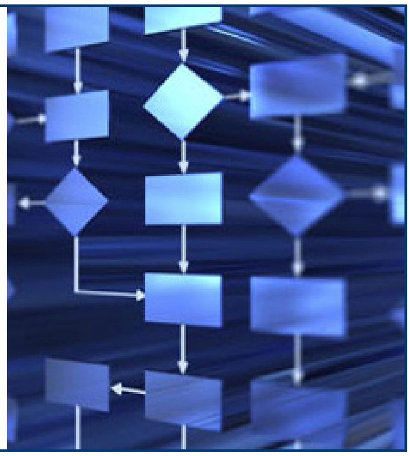

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Securities Lending Product Services Manager

Date: 18 June 2013
Location: BlackRock

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