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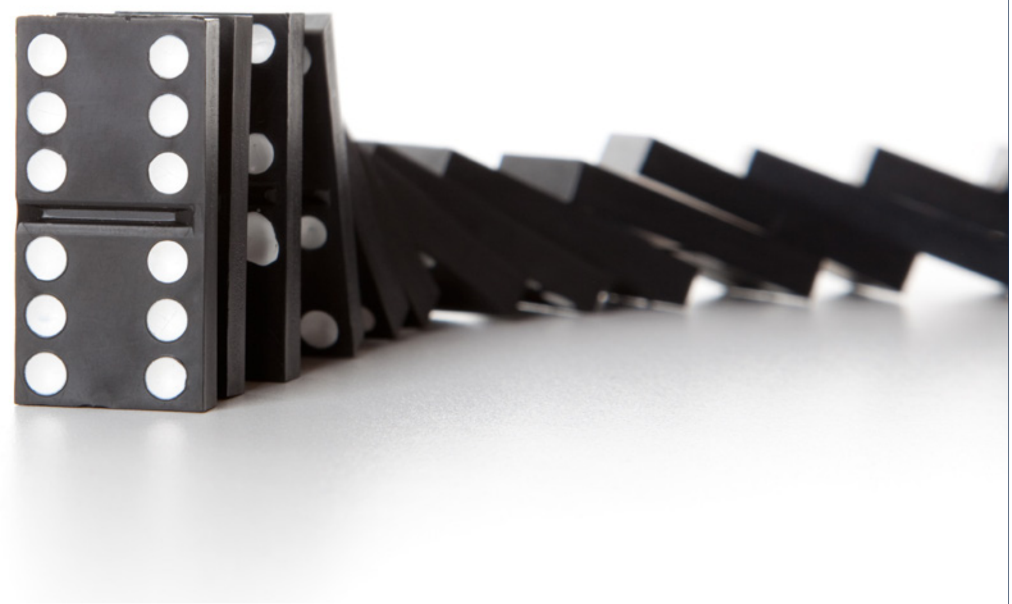

Custodian trio face ratings review

BNY Mellon, State Street and Northern Trust are facing reviews of their long-term ratings because of narrow margins in core custody services and an over reliance on ancillary services such as securities lending, according to Moody's.

The rating agency placed the long-term ratings of the banks, including their bank financial strength ratings, all long-term senior debt, subordinated debt, and preferred stock ratings, on review for downgrade on 2 July.

The ratings review will focus on the long-term profitability challenges facing BNY Mellon, State Street and Northern Trust.

"These profitability challenges are driven by the aggressive pricing of all three banks' core custody products and services, such that their overall fee revenue is roughly similar to their total expenses. The review will also examine the banks' ability to generate more revenue from custody-related services and cut costs," said Moody's in a statement.

All three banks have "a strong, sustainable franchise in that their core custody businesses benefit from significant barriers to entry as well as favourable secular trends," said Moody's.

On top of this, they have significant asset management franchises. "These durable businesses, as well as the banks' liquid balance sheets and good capitalisation, underpin their very high ratings."

As a result, any downgrades "are likely to be limited to one notch".

Despite each bank's significant market share, "pricing in the core custody business is very competitive, resulting in narrow margins", said Moody's.

"This makes the banks reliant on revenue from ancillary services to add to profitability, but these revenue sources have come under pressure. Specifically, net interest income has been constrained by low interest rates, foreign exchange revenue has been hurt by lower volatility and increased scrutiny of pricing, and securities lending revenue has declined due to lower demand."

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Asset managers ask for more from asset servicing providers

BNP Paribas Securities Services has launched its information intelligence tool, an interactive search-based tool that provides data on fund distributors.

Currently active in Italy, global expansion is planned for the tool. Provisions include fund distribution and market analysis.

"While asset managers traditionally received raw data to analyse, the BNP Paribas tool provides a dynamic interface enabling asset managers to visualise and monitor new cash flows by distributor—comparing them with relative market trends; analyse distributors' performance and success rates by region and period; and provide their clients with useful information by simply researching positions, activity and static data," said a release from the bank.

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Mitsubishi snaps up Butterfield Fulcrum

Mitsubishi UFJ Trust and Banking Corporation (MUTB) will acquire fund administrator Butterfield Fulcrum.

Glenn Henderson, CEO of Butterfield Fulcrum Group, said: "This acquisition will reinforce our ability to deliver the highest quality fund services to our clients, while significantly increasing our breadth of products and services, our geographic reach and our financial strength."

Butterfield Fulcrum will become the global alternative asset administration platform of MUTB. The senior management team, as well as all management and staff in all Butterfield Fulcrum offices, will remain with the company.

"Backed by the strength of [MUTB's parent], we expect to add numerous additional client services in the near future, including banking, custody, trust, foreign exchange and securities lending."

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ASTINBRIEF

Custodian trio face ratings review

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"The review will consider if the banks are overly dependent on ancillary services to generate a healthy level of profitability."

Moody's added that as interest rates rise, the banks' earnings pressures will recede, but "the demonstrated vulnerability of their business models to protracted low interest rates constitutes a concentration risk".

"This concentration risk may not be consistent with the business model resilience expected for a very high 'aa3' standalone credit assessment."

The changing asset mixes of BNY Mellon, State Street and Northern Trust will also be a factor in the review, because each has large securities holdings that could be affected by Basel III capital requirements.

BNY Mellon and State Street declined to comment. Northern Trust did not respond to a request.

Mitsubishi snaps up ButterfieldFulcrum

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"We will be leveraging the parent's global brand and presence along with Butterfield Fulcrum's industry leading technology and talent to expand into new geographies and client opportunities."

"Importantly, for existing clients, it is business as usual. Our valued clients will have the same client team, same technology and the same high quality of service they expect and deserve. That is our highest priority", said Tim Calveley, deputy CEO of Butterfield Fulcrum.

Financial terms of the acquisition were not disclosed. The transaction is subject to normal regulatory approvals.

Evercore Partners served as exclusive financial advisor on the transaction and Ropes & Gray provided legal counsel.

Asset managers ask for more from asset servicing providers

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Andrea Cattaneo, head of asset manager solutions at BNP Paribas Securities Services, said: "It is crucial for asset managers to monitor their own distribution flows and compare them to other distributors and industry trends on a regional basis."

"It is also essential that asset managers are able to assess the performance and success rate of their own marketing efforts towards distributors such as road-shows, particularly when launching new funds and asset classes based on investor profiles in various countries."

Jean Devambez, head of global asset fund services product, added: "At BNP Paribas, we handle a lot of information, but our clients need immediate access and reliable analysis tools to make informed decisions. Our existing systems provide precise data, but there is still a need for in-depth market intelligence and customisation of data reporting and analysis."

"This innovative tool clearly benefits clients as it allows for advanced semantic research, resulting in dynamic and very visual intuitive charts."

BNP Paribas extends dealing services to Australia

BNP Paribas Securities Services has expanded its global dealing services solution to asset managers and owners in Australia.

A dealing desk, used to identify and access liquidity in markets and follow best execution practices, has historically been the domain of asset managers.

However, firms such as BNP Paribas have been increasingly pushing outsourced services, which promise efficiency gains and a return to core functions for investment managers.

Pierre Jond, managing director of BNP Paribas Securities Services in Australia and New Zealand, said: "The dealing services solution is a real differentiator for us. Previously, alternative outsourced solutions may have required users to end their established broker relationships and the associated benefits, such as access to research and market news."

"This new offering allows clients to keep their existing broker panel, while improving dealing efficiency and cutting costs, making it a highly compelling proposition."

Natalie Floate, head of market and financing services at BNP Paribas Securities Services Asia Pacific, said: "This solution is attractive, as it can be implemented for a specific asset class or market only, and is offered stand-alone or within a suite of custody services. Our dealers are neutral in their interactions with brokers, guaranteeing full alignment with clients' interests."

NAB and BNY Mellon strengthen 20-year alliance

National Australia Bank and BNY Mellon are to offer additional support to customers of both firms, as well as the opportunity to introduce an expanded suite of products and services.

For almost 20 years, the two firms have shared a custody relationship, in which BNY Mellon is NAB's primary global custodian for offshore assets and NAB is BNY Mellon's primary sub-custodian for Australian and New Zealand assets.

Christine Bartlett, executive general manager of NAB's asset servicing business, said the new alliance encompassed the broad range of asset servicing capabilities that both organisations bring to market.

Danny McGrady, country executive for Australia at BNY Mellon, said the alliance demonstrated BNY Mellon's long term commitment to the Australian market.

"Australia has long been an important market for BNY Mellon's asset management and investment services businesses, largely a reflection of the continuing growth in superannuation savings. This alliance with NAB is another step in our long term commitment to Australian investors and enhances our position with the institutional market."

Swedbank goes live with SimCorp solvency solution

Sweden-domiciled Swedbank Robur has adopted the SimCorp Dimension Solvency II solution.

The solution enables calculation of the solvency capital requirement under Pillar I, plus authority reporting, public disclosure and risk reporting under Pillar III of the Solvency II directive.

After several postponements, Solvency II is currently expected to come into effect in 2016, but with interim measures likely to apply from January 2014.

Robert Hyltén-Cavallius, head of reporting at Swedbank Robur, said: "Our strategy is to maximise the utilisation of SimCorp Dimension by having the system support as many standard business processes as possible."

"We now benefit from a Solvency II solution which is fully integrated with the rest of our system. The result is higher data quality, lower operational risk and low maintenance cost. As it is an integrated part of our system setup, the solution can also be offered to our other clients."

Arnt Eilertsen, managing director of SimCorp Nordic, added: "Being on the forefront of Solvency II compliance is a wise step. The many and complex legislative measures offer insurers an opportunity to evaluate their risk, which allows for improved risk-adjusted performance and operation efficiency."

S&P 1500 pension plan funding levels rise rapidly

According to Mercer, funding levels of pension plans sponsored by S&P 1500 companies have risen to their highest point since 2011, with the aggregate deficit decreasing by $47 billion during the month of June, resulting in a $222 billion deficit as of 30 June 2013.

The funded ration (assets divided by liabilities) increased from 86 percent to 88 percent during June, up 14 percent since the end of 2012. They reached their highest levels since October 2008.

The continued rise in interest rates, following US Federal Reserve chairman Ben Bernanke's comments on the potential phase out of quantitative easing, drove down pension liabilities, which are discounted using high quality corporate bond rates.

Discount rates for a typical pension plan rose 33 to 42 basis points during June, after having already risen 46 bps during May. However, equity markets stumbled slightly during the month with the S&P 500 index losing 1.5 percent.

According to Mercer's analysis, an estimated 15 percent of plan sponsors had assets in excess of their pension obligations as of 30 June 2013, compared to only 4 percent at 31 December 2012.

Richard McEvoy, leader of Mercer's financial strategy group, said: "All of this serves as a reminder of the volatility that pension plans are exposed to and how quickly things can change—a 14 percent increase in the funded ratio over just six months."

"Rising rates have helped reduce funding liabilities and therefore we have seen funded status improve. We could easily see a large increase in fully funded plans if rates were to increase another 50 basis points from current levels."

LCH.Clearnet extends SwapClear down under

The Australian government has granted an extension to its existing clearing and settlement facility license allowing LCH.Clearnet to offer its SwapClear OTC interest rate swap clearing service directly to Australian banks.

As members of SwapClear, Australian banks will now be able to participate alongside international clearing members, enabling them to mitigate counterparty risk through clearing and realise greater portfolio netting efficiencies.

In May, LCH.Clearnet appointed Jack Drewe to serve as the local representative based in Sydney. Drewe will lead the build out of the office and SwapClear's offering in Australia.

Michael Davie, CEO of LCH.Clearnet's SwapClear business, said: "This is an important milestone for LCH.Clearnet's long-term growth strategy in the region, and we are looking forward to working with our new members and local partners to bring greater efficiency and transparency to the Australian market."

Eddie Listorti of ANZ Global Markets said: "ANZ welcomes the government's decision to license LCH.Clearnet's SwapClear business to offer clearing services for interest rate swaps in Australia."

"We see this as an important step for Australian financial institutions providing OTC derivatives products for their customers. We look forward

Reaching milestones is what we do
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to becoming a direct member of LCH.Clearnet as one of the key entities for clearing our global interest rate swaps business."

Interactive Data helps Vanguard with iNAV expansion

Interactive Data Corporation will provide Indicative New Asset Value (iNAV) calculations to European-domiciled exchange-traded funds from Vanguard.

The iNAV calculation process for Vanguard's European-domiciled ETFs also combines Interactive Data's patented fair-value pricing techniques with its real-time calculation technology.

This new combination of inputs to the iNAV calculation process should provide useful information on ETFs composed of international equities listed in markets that are closed at the time the ETF is trading on an exchange, according to the firm.

Rob Haddad, senior director at Interactive Data, said: "For certain equity ETFs, there can be times during the day when the ETF's underlying equities are listed in international markets that are closed while the ETF continues to be active on an exchange."

"Our approach includes an indication of the impact of real-time market activity on the ETF's underlying basket of securities following local market closing times as an input to the iNAV calculations."

"We are pleased to work with Interactive Data Corporation to utilise iNAV calculations on Vanguard's European ETFs," said Axel Lomholt, head of international product at Vanguard. "This addition is an innovative step to provide greater transparency around ETF market prices for end investors."

Eurex Clearing is next-generation for risk

A new portfolio-based risk system is aiming to strengthen market safety and efficiency of initial coverage of equity derivatives and equity index derivatives.

Eurex Clearing has put its next-generation risk management system, Eurex Clearing Prisma, into production.

Eurex Clearing Prisma applies a portfolio methodology, compared to traditional product-by-product based margining approaches. The new system will be rolled out for all products cleared by Eurex Clearing and replace the current risk-based margining methodology.

By capturing risk reducing portfolio effects accurately, Eurex Clearing Prisma aims to promote hedged positions and increases capital efficiency. After full roll-out, the division will apply a single consistent methodology and system across all asset classes cleared including listed and OTC products.

"The introduction of Eurex Clearing Prisma strengthens our position as an industry leader in CCP risk management. With the launch of this next-generation risk management system, our customers will benefit from industry-leading technology, which allows significant efficiencies and savings."

"With Eurex Clearing Prisma we set new standards in CCP (central counterparty) risk management and contribute to market safety and integrity," said Thomas Book, CEO of Eurex Clearing.

BofA Merrill Lynch uses SWIFT for messaging

Bank of America Merrill Lynch has licensed the SWIFT MyStandards product, a web-based application designed to facilitate the management of global standards and market practices across the financial industry.

The global custody provider will initially use MyStandards for its custody message expansion programme. The expansion will broaden the instruction and reporting messages used by clients, agents and internally across BofA Merrill Lynch's global transaction services business lines to facilitate greater straight through processing.

"MyStandards is a simple yet powerful way to connect with our clients and servicers while adding efficiency," said Morgan Downey, head of global custody and agency services for BofA Merrill Lynch. "Clients will benefit from the transparency of our message guidelines and enjoy easy access to annual SWIFT release changes and our own product enhancements."

The initial BofA Merrill Lynch custody message publication via MyStandards is scheduled for Q4.

"While MyStandards provides significant immediate benefit for standards documentation control, we are very excited about its future impact in the message testing process," said Downey.

"MyStandards re-engineers testing by eliminating the time lags involved with set up and communication link coordination, allowing clients to focus on the message content. The net result is a greatly reduced implementation timeframe."

Moscow expands T+2 traded equities list

The list of securities admitted to trading on the Moscow Exchange's T+2 market will be extended to include the 35 most liquid shares of Russian issuers.

This means that from 8 July 2013, T+2 members will be able to trade 50 shares.

All securities admitted to T+2 will also be available on the T0 market until 30 August 2013. On 2 September, T0 trading for all shares, RDRs and OFZs will cease.

The list of equities confirmed for trading in T+2 includes Sberbank of Russia, Gazprom, and Lukoil.

Snow and Stringer pick M3Sixty

Snow Capital Management and Stringer Asset Management have launched six funds with the aid of M3Sixty Administration.

Snow, a $2.8 billion asset management firm, and Stringer cited M3Sixty's experienced management team, efficient operational strategy, and competitive pricing as reasons for its selection.

Carl Vuono, COO of Snow Capital, said: "M3Sixty's competitive fee structure allowed us to simultaneously launch six new mutual fund strategies to our existing family of value equity funds."

"With cost efficiency and M3Sixty's highly experienced team, we believe that Snow Capital is well positioned for future growth. We look forward to working with the M3Sixty team in achieving our mutual long term goals."

M3Sixty is a Kansas City-based fund administration provider. The privately-held firm is led by Randy Linscott and Chris Anci.

BNY Mellon receives key collateral patent

BNY Mellon has been awarded a US patent for a process enabling the secure management of collateral between counterparties via its Margin DIRECT service.

The US Patent and Trademark Office granted the patent covering the Margin DIRECT product, which provides custody and liquidity services for posted margin collateral in counterparty transactions.

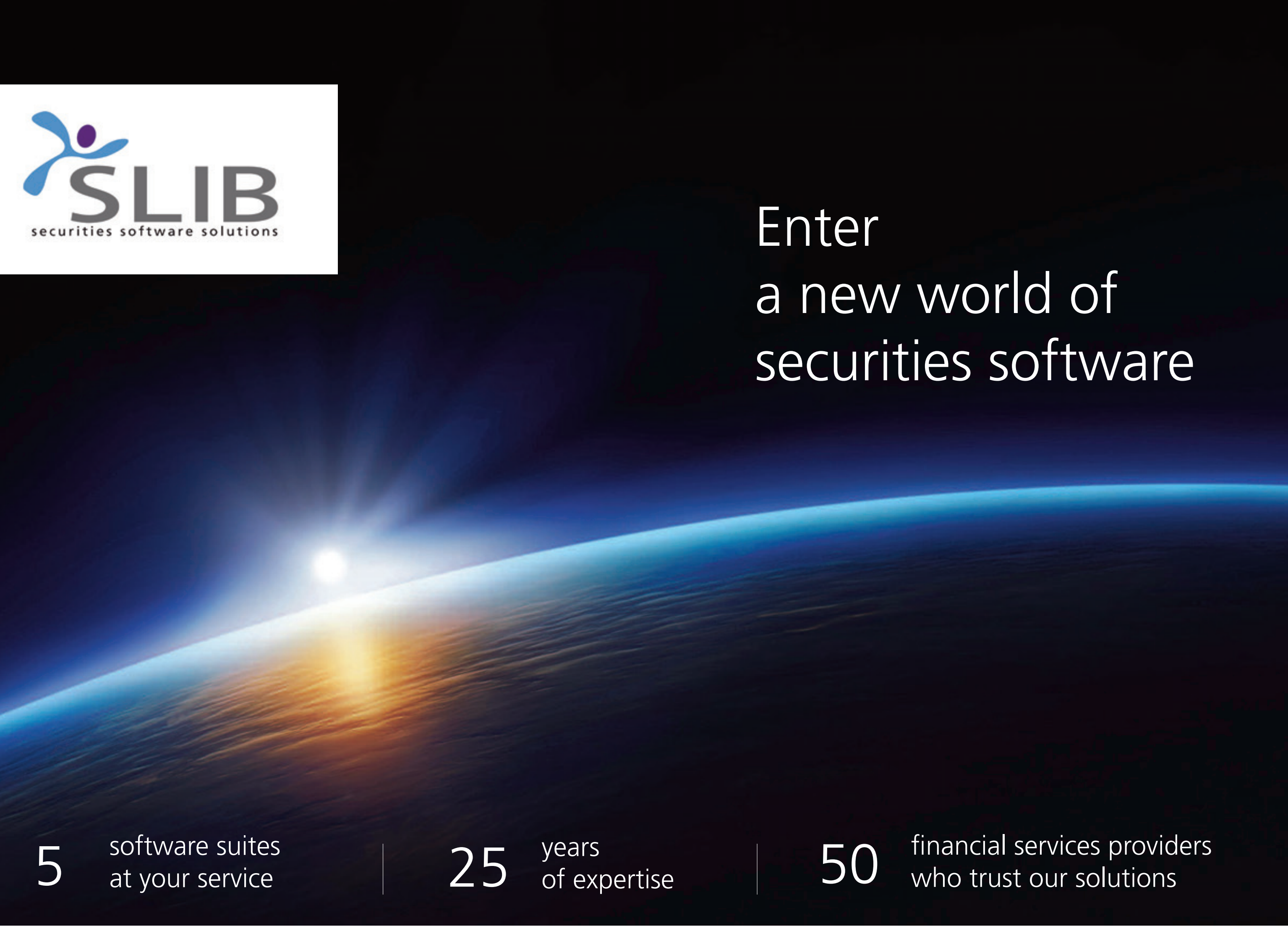
It offers "a strong element of risk mitigation between counterparty relationships" and helps "to facilitate marketplace liquidity through the use of a third party custodian", according to BNY Mellon.

"One of the most important lessons learned from the financial crisis is that institutions require capabilities that help maximise liquidity and access to collateral," said Kurt Woetzel, CEO of BNY Mellon's global collateral services business. "With today's new regulatory requirements, there is an increased emphasis on collateral—clients need to know where to find it, how to protect it and how to unlock additional investment potential, while also working to reduce counterparty exposure."

The patent's named inventor, Jonathan Spirgel, who is head of liquidity services and sales and relationship management in the global collateral services business at BNY Mellon, added: "The Margin DIRECT process helps our clients achieve their investment goals, while also helping to minimise counterparty exposure. This patent demonstrates both innovation and the powerful combination of BNY Mellon's expertise and its market-leading practices."

Traiana scores a dozen FCMs

Post-trade solution provider Traiana experienced an increase in the number of futures



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commission merchants (FCMs) on its Harmony network for exchange-traded derivatives to 12.

From this network there has been a rapid uptake of buy-side hedge funds and asset managers benefitting from the service, said Traiana.

Traiana Harmony aims to offer FCMs real-time visibility of exchange-traded derivatives trades to their clients, enhancing client service and increasing transparency.

The service also promises a reduced operational risk by managing the entire reconciliation and allocation process in real-time, and improved operational efficiency by way of providing STP connectivity to executing and clearing counterparties.

Nick Solinger, head of exchange-traded derivatives and OTC products at Traiana, said: “The expansion of the Harmony network for exchange-traded derivatives underlines the clear advantages of the network for our customers: increased efficiency, lower risk and lower costs. We continue to work with our customers to achieve the best results in the post-trade space.”

Broadridge helps Bloomberg Tradebook go self-clearing

Bloomberg Tradebook, the global agency broker service of Bloomberg LP, has adopted Broadridge Financial Solution’s business process outsourcing solutions to provide US equities clearance and settlement services for its institutional clients.

Bloomberg Tradebook serves buy-side and sell-side financial firms with trading solutions for global equities, futures, options and FX trading. “Moving to self-clearing furthers Bloomberg Tradebook’s evolution from providing execution only to offering execution everything,” said Ray Tierney, president and CEO of Bloomberg Tradebook.

“Broadening the services we can deliver to our clients enhances our value proposition and furthers our commitment to partner with our clients on both the buy-side and sell-side.”

SocGen joins Africa and Middle East central depositories association

Societe Generale Securities Services has become an associate member of the Africa and Middle East Central Depositories Association (AMEDA).

Established in April 2005, AMEDA is a non-profit organisation made up of central securities depositories and clearinghouses in Africa and the Middle East.

It acts as a forum for the exchange of information among members, promoting best practices in services and supporting local markets in their efforts to adopt securities market regulations.

KDPW_CCP clearinghouse files for authorisation under EMIR

KDPW_CCP has filed an application with the Polish Financial Supervision Authority to be authorised as a clearinghouse under the European Market Infrastructure Regulation (EMIR), which sets out single requirements for clearinghouses in the EU.

The authorisation will confirm KDPW_CCP’s capacity to provide services in compliance with EU standards and allow parties required to clear specific classes of OTC derivatives to fulfill the obligation.

KDPW_CCP has been working to prepare its procedures, regulations and technologies for the authorisation, which, under the regulation, is to be granted by a college comprised of representatives of the Polish Financial Supervision Authority, the European Securities and Markets Authority and the National Bank of Poland.

The novation into the Polish legal system allows KDPW_CCP to take over the rights and obligations of the original counterparties to a trade upon its acceptance for clearing. With an adequate own capital and clearing guarantee system, KDPW_CCP has taken over a material part of investment risks involved in potential default of a trade party.

“The key modifications which we have put in place in the clearing house and in its legal environment included our efforts to introduce novation into the Polish legal system, to increase the own capital of KDPW_CCP adequate to the size of the served markets, to change the default system waterfall, and to set up a risk committee," said KDPW_CCP president and CEO Iwona Sroka.

The risk committee appointed on 12 June 2013 provides opinion and advice on all matters that could affect risk management. The committee also gives opinions on transaction clearing rules and detailed rules of transaction clearing.

The authorisation under EMIR at the same time allows the clearinghouse to become a qualifying CCP under the draft Capital Requirement Regulation (CRR).

"Under CRR, central counterparties which comply with the requirements of EMIR may benefit from a reduced risk weight for trades to which they become a counterparty following novation," added Sroka.

Confidence in hedge funds slightly dips in June

The SS&C GlobeOp Forward Redemption Indicator for June 2013 measured 3.88 percent, up from 3.77 percent in May.

"The indicator increased slightly for the month of June and is comprised primarily of typical semi-annual redemption activity," said Bill Stone, chairman and CEO of SS&C Technologies.

The SS&C GlobeOp Forward Redemption Indicator calculates the amount of clients giving notice to withdraw their cash from hedge funds for each month.

AIFMD will equal UCITS—if it can address cost

More than half of respondents to a survey said they believed that the Alternative Investment Fund Managers Directive (AIFMD) will become an international standard similar to UCITS.

The survey, conducted by Multifonds following the release of the AIFMD Level II measures, reveals that 59 percent of respondents, who collectively manage and administer assets exceeding $13 trillion and $28 trillion respectively, believe AIFMD will become an international standard for distributing alternative investment funds globally like the established UCITS brand.

Keith Hale, Multifonds's executive vice president for client and business development, said: "Convergence between traditional and alternative funds will have a fundamental impact on the way that managers and administrators service the fund industry. AIFMD appears to be a significant new catalyst in accelerating this convergence trend, as demonstrated in our survey results where 83 percent of respondents agreed that convergence will continue."

However, the cost of complying with the new regulation was revealed to be a real concern for fund managers and service providers alike.

Since the publication of the Level II text, the costs of implementing AIFMD have increased according to almost three-quarters (74 percent) of respondents who have either seen a rise in the implementation costs for AIFMD (52 percent) or still don't know the extent of their costs (22 percent).

Depository costs specifically remain a persistent concern, with 47 percent in the survey still unsure as to the extent of these costs. Forty-one percent expect depository costs to be in the region of 5 and 25 basis points but increased pressures on liability may cause these to go to even higher levels for fund managers using more exotic strategies.

If the increased costs, such as depository liabilities, prove to be significant, then this may result in fund managers avoiding being in scope of AIFMD altogether, and cause funds to domicile or co-domicile offshore to service their non-EU investor base.

More than three-quarters of survey respondents (77 percent) believe that EU managers will consider offshore structures to avoid the additional costs of AIFMD for non-EU investors.

Should the new inflows into the EU from AIFMD be realised, according to the survey, Luxembourg and Ireland will be the biggest winners, with London lagging behind.

Eighty-nine percent of respondents placed Luxembourg in their list of the top three domiciles likely to be most successful under AIFMD in attracting new business or funds re-domiciling. Ireland came second and the UK came third—a less positive assessment of London's prospects than often made.

Chapman's Eye on the market

The beautiful game

On a recent long-haul flight, having seen all of the movies, listened to the radio shows and become bored of the moving map, I decided to read the sports pages of the newspaper to pass the time. As I was doing so, I pondered on the similarities between the asset servicing world and English soccer's Premier League. In both, you have entities—teams/banks—that are constantly vying with one another for supremacy, and swapping personnel—players/employees—in an attempt to beat their rivals.

At any given time, some firms hit a good run of form that see them racing up the table, at other times they can do no right and seemingly slide inexorably downwards. Some firms have charismatic managers and leaders who can turn a band of misfits into a potent fighting force, successfully corralling disparate skills and personalities towards a shared goal. Others have weak, unfocused and uninspiring leaders who squander the wealth of talent they have bought or inherited.

One or two teams/firms are always in the top three and have a confidence that keeps them there, while others are perennial strugglers who in soccer terms are fighting annual relegation battles. In asset servicing terms these firms are taken over or exit the business. Yet more are perennial middle of the table teams/firms that are well-liked, have a loyal following, but never seem to have the self-belief, vision, drive or lateral-thinking abilities to pull themselves up the table.

There are players/employees who are known to be vastly overpaid, and others who represent great value for money. Some hop from team to team/firm to firm, others prefer to stay at one place for almost their entire careers. Some find that their skills aren't appreciated at one firm and they are perceived as being journeymen, and move to another firm to become stars as the management/rest of the team are a much better fit for their skills and approach. At a higher level, on occasion the whole industry/sport is tarnished in the media, be it the vilification of certain bankers or the excesses of some footballers.

It might be an interesting exercise to see who you think might fit into the above categories, and also where your firm would fit in an asset servicing league table—if you're in a lower league team, is it time to perhaps consider a move into the Premier League? For my part, I'm a Newcastle United fan, so let's not talk about management, strategy or league positions.

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

Paul Chapman, managing director, HornbyChapman Ltd

Petercam has selected **CACEIS** as the asset servicing provider for the major part of its Luxembourg Sicav range.

CACEIS's full-service proposal covers all of Petercam's ongoing support requirements including custody and depository banking, fund administration and transfer agency.

The mandate was awarded to CACEIS on the basis that the firm can support Petercam in implementing its institutional development strategy aimed at increasing its proximity to institutional clients by setting up local branches across continental Europe.

Hugo Lasat, partner and member of the management board of Petercam, said: "Following a thorough analysis of all the proposals received, we selected CACEIS's offer which included all the key added-value services required to support our investment management capabilities in today's rapidly-changing financial environment."

Joe Saliba, CACEIS's deputy CEO, said: "Our teams made every effort to design the most attractive proposal for Petercam's business, and following their decision to award us the mandate, all our efforts were focused on ensuring a smooth migration by the agreed deadline. We are confident in our ability to support Petercam's international development plans and look forward to working with our new partner over the coming years."

Societe Generale Securities Services (SGSS) in South Africa has been mandated by Trifecta Capital Services to provide custody services.

These services will initially be provided in South Africa, with further implementation planned in other jurisdictions where Trifecta Capital Services are present.

SGSS was retained by Trifecta Capital Services for its expertise in providing securities services in South Africa and its expanding presence in sub-Saharan Africa.

It also recently extended services in Mauritius, Ghana and Tunisia.

Trifecta Capital Services is a global leader in outsourced services for private and public sector clients, with offices in South Africa, Kenya and Europe.

It delivers outsourced services in revenue management, asset return, transfer secretarial services, corporate actions and shareholder administration to private and public sector clients, which include banks, telecommunication companies, insurance and assurance companies as well as fund administrators and governments.

Trifecta Capital Services administers more than two million accounts annually.

Citi is extending its relationship with Janus Global Capital Group to include a suite of global custody and trustee services for its Dublin-registered funds.

The bank already provides Janus with fund administration, accounting, and transfer agency services.

Janus identified Citi's recently-launched Network 3.0 suite of investor service solutions as a reason for the extended mandate.

"We chose to broaden our relationship with Citi because we are seeking to expand the investment opportunities for our UCITS fund into new markets," said George Batejan, executive vice president and global head of technology and operations at Janus. "We are impressed with the insights and efficiencies gained through Citi's Network 3.0 and believe it will aid us in effectively implementing strategies in the markets that afford us the most potential."

Chandresh Iyer, managing director for investor services in the securities and fund services business at Citi, added: "Network 3.0 leverages Citi's global network by providing a connected gateway offering increased efficiency and information that enables local access on a global basis."

"Leading firms like Janus recognise the value of Citi's global network and integrated solutions to unlock their investment potential and generate growth. We look forward to providing Janus with a top-tier, end-to-end fund administration and custody services solution."

The Ho Chi Minh City branch of **Deutsche Bank** has been appointed custodian, supervisory bank and fund administrator by Vietfund Management for its Vietnam Bond Fund (VFMVFB), one of Vietnam's first open-ended funds.

Deutsche Bank will also provide transfer agency services for the bond fund, which includes data processing of all applications subscriptions, redemptions and switches as well as reporting services for VFMVFB.

Initially established as a joint-venture company between a British investment firm and Sacombank—a large commercial bank in Vietnam—Vietfund Management is now a leading fund management company in Vietnam with approximately $200 million of AUM.

Mrugank Paranjape, Asia Pacific head of trust and securities services and cash management for financial institutions in the global transaction banking business at Deutsche Bank, added: "Vietnam represents an important part of our long-term growth strategy in the ASEAN region, and this mandate further cements our leading position in Vietnam's fund services industry."

The bank's Ho Chi Minh City branch was recently awarded a merit of excellence for its cooperation with Vietnam's State Securities Commission, in part for its contributions towards the establishment of accounting guidelines for Vietnam's open-ended funds.

Industrial Alliance Insurance and Financial services has named **RBC Investor & Treasury Services** as its global custodian.

RBC Investor & Treasury Services will continue to provide custody, foreign exchange and securities lending services for Industrial Alliance.

Commenting on the mandate, John Lockbaum, managing director of RBC Investor & Treasury Services in Canada, said: "Our history with Industrial Alliance, as well as our proven track record and leading position supporting Canadian insurers means we are ideally positioned to work with such an established company."

Sylvain Côté, senior director administration, systems and investment risk monitoring at Industrial Alliance, added: "RBC Investor & Treasury Services was a logical choice for us. We have successfully partnered in the past and they have proven that they fully understand how we work and are aligned with our business."

Putting their gloves on

NeMa 2013 brought less griping and more action, as network managers discussed viable solutions to industry challenges. AST was there

GEORGINA LAVERS REPORTS

It's a long grocery list by anyone's standards. As NeMa 2013 kicked off in Warsaw, Tim Faselt of HSBC Securities Services looked at the industry's to-do list. This included (but was not limited to): preparation for compliance with the Alternative Investment Fund Managers Directive (AIFMD); ensuring the directive also covers UCITS V obligations; helping to roll out the TARGET2-Securities strategy with correct partners; agreeing on parameters for outsourcing; reviewing various phases of various regulations; signing off a final implementation of framework for sub-custodians; and finally, reviewing external prime broker risk assessment.

As he wryly said, the conference continues to see growth only because "misery loves company."

Quoting recent figures from The Heritage Foundation, a conservative think-tank, Faselt said that in this year alone, the US had added four times the number and five times the cost of the major regulations that were issued in the three years prior.

"There are flattening transaction volumes globally, and until recently, lower asset valuations," he said. "No matter where you are in the custody food chain, it is safe to assume that every custodian wants to win business from the right clients. The frustrating thing is, we don't control interest rates of FX volume ... we can influence assets under custody, but that doesn't have much affect on the market. So what do we do? What we've always done: we continue to adapt."

The keynote guest address was given by CEO of the Warsaw Stock Exchange, Adam Maciejewski.

Pointing out that Poland is slap-bang in the centre of Europe, he attempted to sum up 1200 years of Poland with a short film—which served, if anything, as a startling illustration of how much war has played a part in European history.

He stated that cumulative GDP growth over the last five years was the biggest in Europe—and that Poland has a dominant position in equity trading.

Tomasz Grajewski of UniCredit was up next, discussing how to organise the custody and network function in this new environment.

"Clients are changing the structure and content of their portfolios; regulators are making us reconsider long held assumptions; and governments are looking for more money. We are no longer custodians, we are derivatives back office, fund administrators, tax agent, transfer agent ... the list goes on."

He added that the network space is changing with a broadening range of portfolio assets being seen, both geographically and by asset class.

"A few decades ago, hedging was barely known, but now there is a growing complexity of portfolio constructs such as leverage and hedging. Also, there is greater volatility in stock, derivatives and currency markets."

Major drivers such as regulation and infrastructure change are also shaping the future of network management, he said.

A network manager is no longer an equity dominated expert on global markets, a tri-annual fee renegotiator, a buy and hold support service, he said.

"Now a network manager is a key member of the risk management process; a critical expert on global market structures across multiple asset classes; and a business executive accountable for sound contracts and best fees."

The tasks for the foreseeable future, he said, are to understand supplier balance sheets and structures, discuss whether buyer and supplier strategies are compatible, and ensure commitment to decisions such as intraday lines, capacity appetite, and what-if scenarios.

His words of wisdom for the sell-side were to maximise communication with the client without drowning them in information, learn that it is okay to say no, and to train staff in complex market needs.

A loving partnership

The first panel took the slightly unusual route of discussing what makes a good relationship, as well as the new types of relationships that network managers should be looking for.

When asked if regulatory matters had stressed relationships of network managers, James Levi of Morgan Stanley said that if you get stressed by uncertainty and the volume of work—then yes. But, he remarked, his firm's relationship with agent banks is getting stronger—with one exception to this being AIFMD.

Andrew Osborne of Northern Trust took a no-prisoners stance on regulation, telling the audience that stricter liability simply means that firms have to intensify what they should have been doing all along.

When moderator Colin Brooks of HSBC Securities Services asked the audience and the rest of his panel who would be most affected by regulations, Osborne replied that there was no clear winner.

However, 61 percent of the audience begged to differ, thinking that investors will gain most out of recent regulatory changes.

On the question of who is more difficult to keep happy—internal or external relationships—the panel was mostly in agreement.

Caroline Godwin of RBC Investor Services was of the stance that internal is more important and more tricky. Whereas external tends to allow for a more honest, open and factual discussion, with internal there is more emotion.

Levi, who primarily deals with traders and the front office, said internal is more of a challenge because of the triumvirate of front office, operations and compliance.

"They think you have one job and that's to save them money. It feels like they hang you up in the playground and see what falls out of your pockets."

Osborne, who is in the arguably quieter world of global custody, said that the biggest gripe he gets is clients complaining about high sub-custody fees: "Their only reason for this is that it's a big number."

In a world that looks to make the roles of network managers increasingly complex, an anonymous question from the audience made the point that inspired much amusement in the room: does increasing complexity mean higher salaries for network managers?

As Osborne said: "It's not a group which historically has been much invested in, but I think there will be increased demand for them as the industry evolves. I hope the shortage of network managers will translate to premium cost!" AST

From Russia (with tough love)

The Russian markets have bounded through change after change—perhaps a little too quickly. AST takes a look

GEORGINA LAVERS REPORTS

In February 2013, a process was finalised that would allow foreign investors buying Russian domestic rouble bonds to process them through Belgian clearinghouse Euroclear.

The process was aimed to both simplify the purchase of Russian bonds and make it safer—seeing as the title to the security receives asset protection under Belgian law—and bring a torrent of cash into Russian rouble government bonds (OFZs).

This was just a small change in a spree of transformations that have taken place in the Russian market recently.

Clearstream Banking said in May 2013 that it was implementing a new delivery versus payment settlement service, via a trading omnibus account newly opened with the National Settlement Depository (NSD).

The new service is available for both OFZ (Russian government bonds) and municipal bonds (regional government debt securities considered as tax-exempt)—enhancements that Clearstream hopes will provide customers with improved interoperability with the Russian market.

In the same month, REGIS-TR, the European trade repository that is owned by Clearstream, Iberclear, and NSD, all signed a memorandum of understanding to intensify their cooperation on the mutual exchange of information.

The parties agreed to establish the foundation for regular communication to increase a common understanding of regional and business development related to repository services.

Speaking at the time the MoU was agreed, Eddie Astanin, chairman of the executive board at NSD, said the agreement shows that the companies intend to learn the best repository practices from each other, and that they wish to focus on simplified reporting of cross-border OTC trading in derivatives that are concluded between EU and Russian companies.

"[It] is a first step aiming to establish an interconnection with the leading European trade repository in 2013–2014."

From February, NSD has kept a register of agreements concluded on the basis of the general agreement (integrated contract), and has functioned as a repository in respect of repo agreements and currency swap agreements.

More generally, the country's major exchanges, MICEX and RTS, have been constantly expanding since their creation to include a full range of financial instruments, ranging from cash equities to commodity futures, and finally merged to form the Moscow Exchange in 2012, a move that paved the way for subsequent integration of the post-trade infrastructure.

A central securities depository (CSD) was created, as was the planned integration of the Federal Financial Markets Service into the central bank. "This latter move concentrates regulatory and supervisory functions relating to financial institutions into a single mega-regulator," said Societe Generale Securities Services in a newsletter.

In a panel on Russia at the NeMa 2013 conference, there was much discussion on how to clear up Russia's complicated account structure.

Bruce Lawrence, managing director of HBL Consultancy Services, which provides advice to those in the securities servicing industries of emerging capital markets, moderated the discussion centering on recent changes to the country's infrastructure.

He admitted that there had been a few years of stagnation in the country's infrastructure, so recent changes had been refreshing, but he countered this thought with the opinion that not all of the changes are as palatable as one might wish.

Although Russia now has a law on CSDs, a foreign nominee account, a central counterparty, and has been introduced to the repo market, there are inherent problems in the foundations that local players are keen to plaster over.

Maria Ivanova, vice president and director for development and client relations at NSD, said that while 2013 has been dynamic, certain obstacles remain.

"The account structure is an obstacle, especially for foreign investors to get the level of transparency and simplicity which will truly attract more investors to look at our market."

Aside from the CSD law, Ivanova alluded to the fact that some of the new legislation—particularly the clearing law—that has been passed were written in a hurry, and perhaps have room for misinterpretation. However, she added, there is a general reluctance to change laws again, due to the extra headache that it could bring for local participants that will have to change their own structures.

Philippe Laurensy, regional head and director of relationship management at Euroclear, agreed that new rules have left a lot of scope for confusion.

"The new clearing rules were announced on 20 December [2012], with an implementation for 10 January. Russian offices are generally closed from 1 to 10 January."

"That such a significant change is announced just two to three weeks before it should be implemented—and during a holiday period? It just doesn't work."

But, he added, at the end of last year, foreign holdings were at 2 percent. Now, they are at 20 percent, which represents a huge success and proves that interest to buy exposure from Russia is clearly there.

Putting the cards on the table

Mark Bosquet, the head of network management in domestic markets at Clearstream, said that disclosure requirements are also a problem in the country.

"We have clear guidelines for disclosure, but what is so important for markets like Russia—where corporate governance is an issue—it is vital to stay aligned with procedures. The challenge is going to be for corporate banks."

Ivanova commented that disclosure, which used to only concern Russian investors, is now a foreign problem as well.

"For foreign investors entering in the proper way when they access the market through a fund, the global custodian will go to a sub-custodian, etc … but if one of these parties is in America, the time difference would just make it impossible. We are trying to think about how to simplify these rules—but for equities it is still unclear." **AST**

A European stepping stone

Alan Cameron of BNP Paribas Securities Services tells AST about the impact of T2S

GEORGINA LAVERS REPORTS

How is BNP Paribas Securities Services preparing for T2S?

TARGET2-Securities (T2S) is the outsourcing of the delivery versus payment settlements from all the central securities depositories in Europe to the eurosystem.

We have about 50 million settlements a year. The majority of them are in Europe and the majority of them are in T2S markets. So this outsourcing is incredibly important for us, and we're working on four workstreams on T2S right now.

The first one involves getting together with all of the local market groups, and working with them as they start their individual implementation of T2S. We are trying to keep local market needs in mind, but also due to being pan-European, we are also keen to promote harmonisation in each market. Getting that balance right is very important to us.

I think harmonisation is happening in more areas than just settlement. T2S working groups now go all the way into corporate actions and asset servicing—even though T2S is just about a very simple settlement procedure.

The second area we're working on is making sure we can pass on the advantages of T2S to clients. As it stands, the infrastructure project brings with it some handy upgrades in settlements. There are improved prioritisation capabilities; increased functionalities around hold and release; better partialing and linking of settlements; and auto-collateralisation. As a custodian, we must upgrade our systems so we can pass on these benefits to our clients.

The third workstream concerns the fact that T2S harmonises a lot of settlement. So we have to make sure that we can exploit this to drive the costs down. We have economies of scale, but we have to build on them to give real economic advantages to our clients. For us, that means building up our operational centre in Lisbon, where we already have 850 people mainly working on settlements across Europe.

The final workstream involves constructing more tailored solutions for some very big clients, which are looking at how they can change their post-trade model because of T2S. Some of them are trying to take more control of settlements and need to find an asset servicing model that compliments this. We have a product for that called "sponsored access" and we are working with a small number of very big clients to see if that will work for them.

What are some of the challenges of the infrastructure project and how does it fit into a long-running trend of consolidation?

Some of the bigger players are reviewing their post-trade models, but the problem is that no-one can really conclude these reviews because we don't really know enough about T2S pricing for CSDs. Without knowing that component part of it, it's very hard to make decisions. My gut feeling is that most people will consolidate in Western Europe in the run-up to T2S, and then leave the big decisions as to whether to become a direct participant or not until after the T2S phases are through—a logical step to take.

Consolidation has been happening throughout my career—30-odd years. And throughout it all, the agenda in Western Europe has been driven by European harmonisation. We've had immobilisation, dematerialisation, central counterparties brought in, netting—even the euro. And T2S is really just another step in that process. All of these things are ultimately leading to clients buying custody services for their processes, not their geography. That will make having scale even more essential.

Which sectors do you feel will be ultimately harder to standardise?

We provide clearing, settlements and post-trade services such asset servicing, and T2S will sit alongside all of these functions. Once these services become more harmonised across Europe, you can really perform them from almost anywhere, and in our case, we will mainly be working from Lisbon. But the asset servicing sector is very far off from being harmonised. There is some progress, but things such as tax, in particular, remain completely different, and the actual events that companies do in different markets differ completely. While these remain so particular, we think that asset servicing has got to stay local.

Are corporate actions still an issue?

In our business, and in the post-trade world, all of the big losses are in corporate actions and asset servicing, and sometimes they can be very substantial indeed. Most of the players involved in the post-trade space in Europe are very aware that there's not much point saving cents on settlements if you're going to increase your risk in corporate actions—if something goes wrong there you can lose millions.

There are a couple of things that have made corporate actions more difficult. Firstly, hedge funds and prime brokers that supply them tend to wait until the last minute when deciding what to do. That always brings a degree of risk into the whole process.

The asset servicing sector is very far off from being harmonised. There is some progress, but things such as tax, in particular, remain completely different

Secondly, I think corporate events have become more complicated, and as European companies have to recapitalise themselves following the crisis, this trend will continue. So you get back to tax again, I'm afraid. It's just a very complicated area for transaction banking. Corporate actions are still a problem. **AST**

Alan Cameron
Head of global strategic UK broker-dealers and banks relationship management
BNP Paribas Securities Services

Industry appointments

Deutsche Bank has made two new appointments to its global transaction banking division.

Susan Skerritt has been named regional head Americas. She will report to Werner Steinmueller, head of global transaction banking and a member of Deutsche Bank's group executive committee.

Skerritt will also report to Jacques Brand, CEO, North America, and member of the group executive committee. She will be based in New York.

Skerritt joins Deutsche Bank with more than 30 years of transaction banking experience covering cash management, global custody, corporate trust, treasury services and trade finance.

Most recently, she was executive vice president and global head of business strategy and market solutions, treasury services at BNY Mellon.

Samba Sivan has been appointed as South Asia head of direct securities services, effective immediately.

Based in Singapore, Sivan will report to Mrugank Paranjape, Asia Pacific head of trust and securities services and cash management for financial institutions.

In his newly created role, Sivan will be responsible for driving the strategic growth of Deutsche Bank's direct securities services franchise in the South Asia region.

Deutsche Bank also appointed **Tim Liu** as greater China head of direct securities services in January 2013. In this role, Liu has been overseeing the expansion of the bank's direct securities services business in mainland China, Hong Kong and Taiwan.

Former J.P. Morgan and Standard Chartered executives have launched their own consultancy aimed at improving the performance of institutional clients in securities services and transactional banking in Asia.

Roger Harrold and **Giles Elliott** launched Alfa Securities earlier in 2013.

Harrold previously worked as managing director with responsibility for product management in the Asia Pacific region in the worldwide securities services business at J.P. Morgan, while Elliott served as global product head for securities services and the investor segment at Standard Chartered Bank for five years.

Their new consultancy is based in Singapore.

Alfa Securities managing directors Harrold and Elliott have led teams in sales and client management, product management, operations and IT management, and marketing and branding in leading custodian banks, and plan to use this experience for clients in Asia.

CACEIS has appointed **Roberto Colapinto** as head of regional coverage, in charge of Southern European and Latin American clients.

He will report to Joseph Saliba, CACEIS deputy CEO, in charge of business development.

Colapinto will be responsible for further developing CACEIS's sales activity with Southern European and Latin American asset managers, institutional investors, banks and brokers; promoting CACEIS's global asset servicing offering to Southern European and Latin American clients in all markets where they operate; and building up client loyalty based on the quality of services provided by CACEIS.

Colapinto worked at State Street for nine years in London, Zurich and Milan, where he managed the acquisition of Deutsche Bank Securities Services in Italy.

Olga Rink has left Russian securities depository the NSD.

Formerly public affairs director of the NSD, Rink had been at the firm for more than seven years.

She said that her short-term focus was on her parallel position as an executive director in the Financial Communications and Investor Relations Alliance that was reorganised in the spring.

BNY Mellon has appointed **Michael Chan** as Asia-Pacific head of asset servicing.

He will continue to be based in Singapore and will report to Samir Pandiri, CEO of asset servicing, based in the US. **AST**

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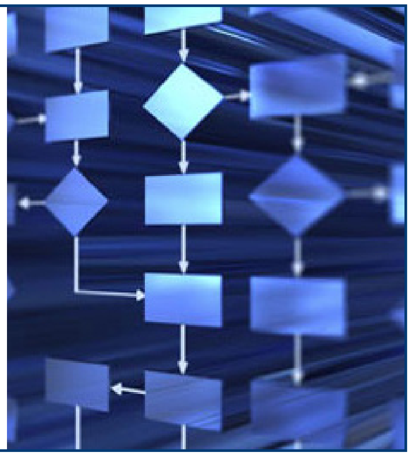

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