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HSBC bows out of Bermuda

HSBC Securities Services is wrapping up some of its custody and fund administration services in Bermuda.

"Following a strategic review of the HSBC Securities Services business (HSS) in Bermuda and after careful deliberation and consideration, a decision has been made to discontinue the provision of certain fund administration and custody services from the HSS Bermuda office," said a statement from the firm.

Registrar and transfer agency services and traditional global custody services will continue to be provided to the HSS Bermuda client base, but their delivery will transition to other HSS offices in Europe.

The statement went on to address job cuts as a consequence of the decision, saying that management of HSBC Bank Bermuda will try to redeploy staff members affected wherever it can.

"It is not expected that there will be any impact in terms of the service proposition delivered to HSS clients. HSS remains committed to providing fund administration services to the hedge fund industry and to the growth and development of its global custody product in order to best serve the local Bermuda market."

In October 2003, HSBC spent $1.3 billion (£800 million) buying Bank of Bermuda in a deal to boost its presence in offshore banking. HSBC Securities Services (Bermuda) operated as a subsidiary of the Bank of Bermuda.

Ten years later, group chairman Douglas Flint indicated that securities services were still strong globally for HSBC.

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SmartStream opens in Bangalore

SmartStream Technologies has opened an office in Bangalore to speed up research and development of its data management services business.

The new office will be managed by Ranganath Maligi, head of Bangalore data operations for SmartStream India.

Maligi said: "It is exciting to be working with a company that continually invests in research and development, and one that addresses its clients' needs on an ongoing basis. We aim for this office to be the office of excellence in supporting all future client projects".

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Efficiency in Japan is good news for Omgeo

Omgeo has announced a 47 percent year-on-year increase in equity and fixed income volumes processed on its post-trade services for the Japanese market.

The increase, said Omgeo, is down to buoyant conditions in the local market since the end of 2012, as well as increased take-up of Omgeo Central Trade Manager.

Omgeo CTM centrally matches cross-border and domestic equity, fixed income, exchange-traded derivative (futures and listed options) and contract for difference trades.

Japanese fixed income trades processed on Omgeo CTM have more than doubled, and marked growth in the volume of domestic trades processed by a number of significant clients in the last 12 months, including Sumitomo Mitsui Asset Management.

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HSBC bows out of Bermuda
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In a statement alluding to the HSBC Holdings Q2 2013 results, Flint said: "… As many peer institutions have withdrawn from overseas markets in recent years, HSBC's scale and connectivity has become a more distinctive competitive strength. This has been built upon most notably in transaction banking, where our … securities services and global trade and receivables finance businesses have grown strongly."

However, he also added that the HSBC's strategy was to maximise the value of the group's long heritage in faster-growing markets—concentrating resources on businesses where scale and connectivity are competitive strengths.

HSBC is not the first firm to reduce its presence on the island. There has been a trend of jobs being lost to locations where it is less expensive to do business.

Administrators such as Citco and Citi Hedge Fund Services have both reduced their number of staff on the island.

Citi Hedge Fund Services confirmed in 2011 it was relocating 105 jobs out of Bermuda to North America "to consolidate Citi's support functions, reduce overall expenses and create operating efficiencies", and Citco Fund Services in Bermuda cut 15 to 20 jobs in what the company said was a "reorganisation" of its Bermuda office.

There has been significant structural problems with the territory's economy. Bermudan finance minister Everard Richards has said he has "looked under the hood" of the island's finances, and pronounced that it was clear that the state of government finances is "every bit as bad as we had feared might be when we were on the outside"

"The trajectories of deficits and debt we found are simply not sustainable."

However, though debt is rapidly growing, Richards was adamant that tax increases would not be the answer, citing plans to borrow further and to raise the debt ceiling.

"The inescapable reality is that Bermuda's present economy cannot carry the government as it is presently structured and sized without implementing crippling tax increases … [The] government does not want to go this route."

SmartStream opens in Bangalore
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Philippe Chambadal, CEO SmartStream Technologies, said: "India's strong growth success, key talent and a big drive for automation and quality assurance were key factors in the decision making process. My aim is to continue this commitment and to be in a strong position to ensure our clients are fully supported with quality products and excellent service".

Efficiency in Japan is good news for Omgeo
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Domestic trade volumes account for 74 percent of transactions processed on Omgeo CTM for the Japanese community overall, up from 56 percent a year ago.

Omgeo's growth in Japan follows a number of key investments including the development of a link to connect Omgeo CTM to the settlement system of the Japan Securities Depository and continued investment in Omgeo CTM.

Earlier this year, Omgeo also officially became member of Future Industry Association Japan Chapter and has brought in new staff, including Michael Ross as representative director of Omgeo Japan.

Nellie Dagdag, executive director for Asia Pacific at Omgeo, said: "Our Japanese clients are increasingly interested in the benefits of automation and standardisation for the processing of domestic and cross-border transactions, particularly as market volumes rise."

"According to our research, Japan has an extremely high level of settlement efficiency and a same-day affirmation rate of over 95 per cent, so in many ways our Japanese clients are already global leaders in operational best practice."

Omgeo also said that it sees opportunities among Japan's trust bank sector to help improve overall market efficiency, including wider adoption of Omgeo ALERT, a web-based global database for the maintenance and communication of account and standing settlement instructions.

Clearstream witnesses healthy July stats

In June 2013, the value of assets under custody that Clearstream held on behalf of its customers registered an increase of 3 percent to €11.5 trillion (compared to €11.2 trillion in July 2012).

Securities held under custody in Clearstream's international business increased by 1 percent to €6.1 trillion in July 2013 while domestic German securities held under custody increased by 6 percent to €5.4 trillion in July 2013 (July 2012 was €5.1 trillion).

In July 2013, 3.5 million international settlement transactions were processed, a 6 percent increase over July 2012 (3.3 million). Of all international transactions, 86 percent were OTC

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transactions and 14 percent were registered as stock exchange transactions.

On the German domestic market, settlement transactions reached 6.6 million, 7 percent more than in July 2012 (6.1 million). Of these transactions, 64 percent were stock exchange transactions and 36 percent OTC transactions.

In investment funds services (IFS), 0.67 million transactions were processed, a 20 percent increase over July 2012 (0.55 million).

At 4.6 million, the year-to-date July 2013 IFS number of transactions processed was 30 percent above the same period last year.

CLS Group boosts Japan presence

CLS Group, the risk mitigation services provider for the FX market, is opening an office in Hong Kong to compliment its long-standing office in Japan.

This move is part of CLS's ongoing commitment to increasing the number of Asian currencies it settles, servicing the needs of its local settlement members and aiming to further reduce systemic risk in the region's currency markets.

CLS currently mitigates settlement risk for a total of 17 currencies, including those in the Asia region, the Japanese yen, Hong Kong dollar, Singapore dollar, Australian dollar, New Zealand dollar and South Korean won.

Moving forward, CLS is actively seeking to add further currencies in response to increased demand as a result of intra-Asian trade flows, and has held discussions with central banks in the region, including the People's Bank of China.

The new Hong Kong office is led by Rachael Hoey, head of CLS Asia, who commented: "Establishing an office in Hong Kong affirms the growing importance of the Asia region and its currency markets."

"CLS is making progress in the region, which is reflected by the increasing level of support of our market engagement, particularly with respect to the renminbi. I look forward to leading CLS' efforts in Asia, broadening our engagement and delivering growth."

iMeta updates its Assassin suite

Client data management firm, iMeta Technologies, has added a new KYC (know your customer) platform to its Assassin suite of products.

Assassin KYC has been designed to ensure that updates and compliance are carried out by financial institutions on an ongoing basis.

The new platform will provide a quick and efficient process for onboarding and auditing new and existing clients, while saving time and reducing operational cost. It ensures best practice, risk-based policies are applied that comply with current regulatory and legal obligations.

Ben Marsh, chief executive of iMeta Technologies, said: "With a few recent high profile cases and tougher penalties on organisations who do not comply with legislation, many financial organisations realise they need to not only understand who their clients are, but they also need to prove that they have carried out sufficient due diligence on their customers."

"In today's competitive market, the speed at which a new client can be onboarded is crucial to revenue and maintaining good customer service. KYC though is often a slow, manual process. Our Assassin KYC software provides the functionality and automated workflow to deliver a fast and comprehensive client management solution."

Asset Control has a new owner

Investment firm Marlin Equity Partners is moving into the data software arena after purchasing Asset Control.

The Netherlands-based data management software firm provides solutions covering market and reference data to financial institutions. It has offices in many financial centres and has more than 60 blue-chip customers.

"We are excited to add another successful and respected business like Asset Control to our growing European portfolio," said Shawn McMorran, managing director of Marlin's London office. "Asset Control represents an excellent platform for growth in the data management and


Reaching milestones is what we do
Milestone Group is an innovative supplier of fund processing, oversight, and distribution solutions to the funds management industry.
Milestone Group's dedication to fund-centric solutions has enabled it to develop an unparalleled understanding of the upcoming challenges that its clients will face and the technology needed to meet them transparently, robustly and efficiently.
pControl is Milestone Group's advanced technology platform designed to service today's increasingly complex fund product structures and related business processes. It supports multiple business functions in a single environment and incorporates fully integrated data management, end-to-end process control and powerful exception management capabilities. pControl delivers superior efficiency, transparency, product flexibility and control to funds market participants.
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financial services software industry and is perfectly placed to take advantage of the cost and regulation driven growth in data management requirements at financial institutions."

Asset Control CEO Dean Goodermote added that Marlin's investment will enable the firm to "improve [its] data management solutions by accelerating new product and service initiatives."

"Marlin's operational resources and financial services software experience make them the ideal partner to help us in our next phase of growth."

The financial details of the transaction were not disclosed.

Los Angeles-based Marlin, which has more than $2.6 billion in capital under management, has completed more than 65 acquisitions since its inception.

It acquired eHealth Solutions, a provider of integrated clinical software solutions to the long-term and post-acute care market, at the end of July.

Deutsche Bank adds new app to its Autobahn

Deutsche Bank has launched a finance app that enables clients to access receivables finance and supplier finance solutions via one central access point.

The app, Financial Supply Chain Manager, is a part of the bank's Autobahn app market, and has multi-currency and multilingual capabilities.

Rick Striano, global head of product management of the trade and financial supply chain at Deutsche Bank, said: "By making our industry-leading financial supply chain solutions accessible through Deutsche Bank's Autobahn App Market, our clients will enjoy unprecedented ease of access and useability, not only to our receivables and payables finance solutions, but also to many other Deutsche Bank products and services."

OCC clears 6 percent more contracts

The Options Clearing Corporation (OCC) recorded total cleared contract volume in July reaching 328.9 million contracts, representing a 6 percent increase from the July 2012 volume of 309.6 million.

OCC's year-to-date total contract volume is up 3 percent with 2.47 billion contracts in 2013.

The firm's securities lending CCP activities saw a 53 percent increase in new loans from July 2012 with 123,108 transactions last month. Year-to-date stock loan activity is up 31 percent from 2012 with 761,628 new loan transactions in 2013. The average daily loan value at OCC in July was $56.1 billion.

Exchange-listed options volume reached 324.65 million contracts in July, a 6 percent increase from July 2012. Equity options volume rose 4 percent from the previous July with 295.06 million contracts.

Index options volume rose 22 percent from the previous July with 29.59 million contracts. Year-to-date total options trading volume is up 2 percent with 2.44 billion contracts in 2013.

Futures cleared reached 4.25 million contracts in July, up 53 percent from July 2012. Equity futures volume came in at 582,681 contracts last month, a 58 percent increase from July 2012.

Index and other futures volume came in at 3.67 million contracts last month, a 52 percent increase from July 2012. OCC's year-to-date cleared futures volume is up 74 percent with 34.21 million contracts in 2013.

Grassi & Co expands fund admin business

Grassi & Co.'s fund administration business is expanding its service capabilities and will now offer Advent's Geneva accounting solution.

Geneva eliminates batch processing and error corrections, and also unifies the general ledger and portfolio sub-ledgers.

Grassi & Co will integrate Geneva into its suite of fund administration services, developed specifically for hedge funds.

"As the industry's most scalable and robust accounting solution, Geneva offers the right platform to support our administration and accounting clients," said James Anziano, partner and fund administration service leader of Grassi & Co.

UK private equity firms get their passports

Two of the first three UK fund managers to achieve Financial Conduct Authority approval under the Alternative Investment Fund Managers Directive (AIFMD) have selected Ipes as their alternative investment fund depository.

Under AIFMD, UK private equity firms could benefit from a FCA passport to market their funds in Europe. To achieve this, firms need to fulfil certain criteria, including the appointment of an independent depository.

On 22 July 2013, private equity fund manager Doughty Hanson was one of the first firms to be authorised under AIFMD. The authorisation entitles it to a passport to market Doughty Hanson VI uninterrupted around Europe.

While UK firms can postpone the appointment of a depository until 2014 under provisions negotiated by the treasury, some fund managers, and in particular those in the process of fund-

raising in Europe, are seeking to gain compliance early.

Justin Partington, commercial director, said: "Ipes began preparing for AIFMD two years ago. As early as July 2012 we were approached by clients and other fund managers looking for support around meeting depositary requirements."

"Our service is now live and we are experiencing significant demand which shows fund managers are actively engaging with this legislation and are seeking a pragmatic and specialist approach."

Fidessa's new service switches up post-trade space

Buy-side and sell-side firms can now confirm trades between themselves via FIX, said Fidessa.

The group announced the availability of its open post-trade confirmation hub, which firms can certify to once and then be part of Fidessa's global trading community of 3,600 buy-sides and 775 brokers.

Fidessa's new service will enable firms to send and receive allocation and confirmation instructions to each other via an open, free-to-use protocol. This, a release said, removes the need for proprietary alternatives that charge on a per message basis.

The service covers global equities trading and is available now.

"For some time the industry has been looking at post-trade as a key battleground in the war on daily operating costs," said Steve Grob, director of group strategy at Fidessa.

"What we found was that, whilst many of the processes are hugely important, there is no competitive edge in one proprietary approach over any other. Recent fragmentation into competing alternatives has simply made the whole process even more inefficient for market participants of all types."

Fidessa's David Pearson said: "Our approach has been to focus on both the messaging standards that the industry wants to adopt and the business process for the operational users."

"By standardising the workflow for all our buy- and sell-side customers we are able to provide a straight-forward and effective middle office environment. In addition, firms can leverage the existing FIX infrastructure they already have in place for routing order flow."

Investment managers demand straight-through reconciliation

Increased client demand for straight-through reconciliation services has made Smonik Investment Systems upgrade its systems to allow for 24/7 support.

The back-office solutions provider doubled its client base in 2013, and now provides reconciliation services to five of the top 10 hedge funds in Boston. Clients range from start-up to multibillion-dollar hedge funds, as well as fund of funds and fund administrators.

The firm attributed its recent growth to investment managers increasingly looking to streamline operations by automating middle- and back-office workflows around data management, trade reconciliation and reporting.

Smonik has also recently increased staff in its Boston and India offices by 10 percent to support client demand for custom development and support for its middle-and back-office platform solutions, Smonik RECON, Smonik DMS, Smonik TAX and Smonik SRP.

Smonik RECON is a solution for straight-through processing of trade reconciliation, from data retrieval from third-party brokers, custodians and administrators to automated matching to exceptions management.

The firm also provides Smonik DMS—which aims to simplify data management through automated data retrieval and data normalisation across multiple sources and formats—and the TAX platform, which helps fund managers to streamline the tax reporting process.

"The industry has long invested in automation for front-office processes, which has generated significant returns," said Tristan Rock, managing director of Smonik.

"We're now seeing firms begin to apply the same approach to the middle- and back-office. We've developed Smonik RECON specifically to support middle- and back-office workflow automation, which saves time and money, while also reducing the risk of human error. The net result is that our clients can invest more of their resources into focusing on their core business of investment management."

Chapman's Eye on the market

Many a slip

Perhaps it's because I'm sitting at a desk and not out where I ideally should be, namely grouse shooting on the Glorious Twelfth—damn this uptick in the jobs market—but I feel something of a rant coming on. In my line of work there are a multitude of frustrations, from there being too many links in the recruitment chain, fears of disintermediation by interested parties and lack of focus on the hiring process, to a reluctance to take a broader view on candidates or be bold with hiring initiatives. The best 'hires' take place when all four parties involved—the hiring manager, the HR person, the recruiter/headhunter (we are talking of relatively senior hires only here, the balance being hired via jobsites or direct hiring) and the candidate—carry out their roles correctly and, more importantly, all play together to achieve the desired outcome, ie matching the optimal candidate with the open position.

The hiring manager should be clear in what they're looking for, be able to articulate that to their HR business partner, be responsive to CVs submitted, be fully available for interviews, and provide timely and concise feedback. They should accept guidance from both the HR partner and the recruiter, each of whom should have more experience in their relevant parts of the hiring process. The HR person should work closely with a single or very low number of chosen external recruiters—better service is invariably received when only one is chosen per specialist role—to provide a range of relevant and interesting CVs to the hiring manager. The recruiter/headhunter should source the desired number of highly relevant CVs, using industry knowledge as well as knowledge of the specific hiring firm to find the right set of skills, cultural fit, level of ambition and remuneration, etc, that is required. The candidate should be open and honest with the recruiter initially, and then if matters progress, the HR person and hiring manager, about their experience, skills, career aims and ambitions. Additionally, they should be candid with their recruiter about other opportunities so that the former can advise and manage the expectations of the hiring firm.

This process can fall down at any stage, and can be complicated and delayed by extraneous factors such as sickness, holidays, change of staff, revised career aims or remuneration requirements on behalf of the candidate, changes of budget and changes of strategy, leading to frustrations, finger-pointing and a breakdown in relations between the various parties. Should this happen, my strong suggestion would be for all parties to remain calm, stay polite, take a step back, review the situation in light of the new information or changed circumstances and then, if appropriate, re-approach to achieve the shared aim of a successful hire. As the current UK Prime Minister himself said recently, we are all in this together after all...

If you'd like to discuss any of the above, do drop me a line at paul@hornbychapman.com

Paul Chapman, managing director, HornbyChapman Ltd

Mandate Mangle

CACEIS's experience in servicing real estate funds is paying off, with the asset servicing provider snaring two mandates in August.

The investment and real estate specialist, PROJECT Investment, has engaged the group as its depository services provider.

CACEIS will provide full depository services for Germany's leading manager of purely equity-based real estate funds.

According to the German KAGB regulation, fund managers must appoint a depository for each alternative investment fund they manage, if it is to be marketed within the EU. The depository has the responsibility for monitoring the fund assets held in custody as well as cash flows.

Wolfgang Dippold, managing partner and founder of the PROJECT Investment group, said: "Our decision to select CACEIS as our depository services provider was based on the group's extensive experience, well-proven stability, and the financial security that comes from working with Europe's largest depository bank."

Holger Sepp, co-head and member of the management board of CACEIS in Germany, said: "Our services are designed not only to assist PROJECT Investment with meeting regulatory compliance goals, but also to provide high levels of asset security for the group and its investors."

This is the second mandate for CACEIS this month. GLL Real Estate Partners (GLL), the Munich-based real estate fund management company, announced that it had entrusted the depository function of its alternative investment fund to CACEIS.

The fund invests primarily in commercial real estate in Europe and the US.

CACEIS will ensure that the fund fully complies with the Alternative Investment Fund Manager's Directive and the Kapitalanlagegesetzbuch regulations in Germany.

Key to the selection of the depository was its ability to provide a unified cross-border offer as well as to meet GLL's needs in the pension fund and insurance company sectors.

Rainer Goebel, founder and managing director of GLL, said: "CACEIS offers us a high quality range of services through two very important locations—Luxembourg and Germany."

"The quality of its depository services, and extensive experience in servicing real estate funds, is a direct result of the group's many years of experience operating in these markets."

Holger Sepp, co-head and member of the management board of CACEIS in Germany, welcomed the new international partnership. He said: "We are delighted that GLL has selected CACEIS as depository. It is a sign of the confidence GLL has in our service offering, which can be relied upon throughout our extensive European network."

Another real estate mandate was won recently by **Capita Financial Group**, which was appointed as the fund administrator and transfer agent for AEW UK, a real estate investment manager.

The new mandate follows the recent conversion of the AEW UK core property fund to a property authorised investment fund (PAIF).

The conversion from an existing exempt unauthorised unit trust to a master feeder dual-priced PAIF involved establishing a new authorised unit trust, followed by a new open-ended investment company.

The tax efficient UK fund structure—authorised by the Financial Conduct Authority—seeks to open the fund out to a broader investor base, to include UK and overseas professional investors for the first time.

Capita Financial Group director, Rachel Short, said: "Capita specialist fund services arm is one of the only administrators able to provide the fund accounting and transfer agency to support PAIFs and with in-house tax experts and specialist real estate experience are able to offer a complete support service to PAIF managers."

"We have invested in our systems in order to meet the various nuances that arise from operationally supporting PAIFs such as separating the various streams of income."

CIBC Mellon has been selected to provide asset servicing for the pension plan for employees of the University of Prince Edward Island and the UPEI endowment funds.

CIBC Mellon's asset servicing solution for UPEI's pension plan and endowments includes custody, fund accounting and pension benefit payments and reporting. UPEI will also receive online investment information delivery via CIBC Mellon's Workbench platform and access to markets around the world through the BNY Mellon global network.

"After a rigorous review, we concluded that CIBC Mellon's asset servicing offering was the best choice for UPEI," said Jackie Podger, vice president of administration and finance for University of Prince Edward Island.

"CIBC Mellon certainly deserves its strong reputation among Canadian colleges and universities: the company has great people, a great local service model and a true commitment to delivering outstanding solutions."

"We are very proud to have earned the trust of the University of Prince Edward Island, and very much look forward to exceeding their expectations," said Jeff Alexander, director of business development and relationship management, CIBC Mellon.

"This mandate further extends CIBC Mellon's leadership as a provider of asset servicing solutions to institutions and corporations in Atlantic Canada, and underscores our strength as a service provider to Canada's highly-regarded educational institutions."

Tapping the pain points

After nearly a decade at Citi Hedge Fund Services, Sethu Bijumalla tells AST about the founding of his new firm, Smonik Investment Systems

GEORGINA LAVERS REPORTS

Could you explain your RECON service, and who its main users are?

Our reconciliation service was built in a data-agnostic way, and it is a rules-based recon engine. Our initial targets have been hedge funds and hedge funds admins, the reason for that being that we come from that field and penetration into the industry was easy.

On our reconciliation engine we currently have trade positions, cash, and profit and loss. People have also used it for migrations to compare trial balances, portfolio valuations, variation reports etc, to make sure the migration happened the right way. From a features perspective: what you want to reconcile, how you want to manage the exceptions, how you want to manage the view of final workflow—are all customisable.

I think that's one of the reasons why we had such a fast entry into the hedge fund market here in Boston.

How have you seen hedge funds evolve to provide institutional-quality risk management, and where did this demand come from?

There has definitely been more demand from a compliance and risk management perspective in and after 2008, and also from an investor and regulatory perspective. Personally I think the problem for hedge funds has been the products that are already out there.

It has been very cost prohibitive for them, and on top of this most of the hedge funds have some kind of Excel spreadsheet, or a fund accountant manually tracking the data. They usually perceive the management of this process as more of a back-office task, which I think in the last few years has been gaining momentum to become a much more important process.

We as a firm are trying to position ourselves so we can take advantage of this momentum in the market. We want to make it easy for clients to do shadow accounting and audit and quickly do compliance with the data that they receive and the whole workflow that they have.

According to a 2011 Ernst & Young report of hedge funds, "few hedge funds or investors note the independent reconciliation of a hedge fund's investment positions to custodians and brokers as a key benefit of the administrator, even though this has become an area of significant focus in the wake of the Madoff scandal". Do you still see this attitude today?

Most of the long/short plain vanilla shops are still relying on fund administration for reconciliation and they're expecting the administrator to produce some kind of exception report: they are dealing with reviewing the exceptions and not the actual reconciliation task itself.

But for a more complex shop, shadow reconciliation and reconciliation to your prime brokers, custodians and your fund administators is definitely gaining momentum, and they are getting more comfortable with getting those products in-house. We have seen that most of the large funds in Boston are keen to actually get this shadow reconciliation or reconciliation in-house.

How can Smonik differentiate itself from competitors?

The key difference between us and all the major players out there is that we made a tool capable of defining and working flexibly with a prime broker's data. But when you're considering the custody side, the data is not defined. And it's completely different from the instruments that you are used to trading.

Most of our competitors cannot handle this, and the way they deal with it is by releasing instruments one at a time. For a client of ours, Morgan Stanley, we are able to handle its OTCs now. With our reconciliation, we are completely data agnostic and we handle most instruments.

On top of this, the whole mapping must be worked out because once they start trading a new instrument, the data is different to what they were getting previously. Those who are doing the back-office accounting understand the data better than anyone else. Our tool empowers you to do the mapping, which is an operational process, not an IT product: the data reconciliation working, reconciling, and checking the exceptions.

For example, to implement a brand new (small) broker in Hong Kong and to redeem that broker on our system from point of exception to getting the data into reconciliation is a two-hour process; mapping reconciliation and signing off. And that I think is our differentiator, on top of the fact that you can control how you want to review your signoff. Some of the funds want to review signoff by the security type, because there are different groups handling different security types, and other firms don't have a capability to de-market the data.

What are the challenges of reconciliation—are departments being asked to do more with less?

This is the battle that we are encountering on a day-to-day basis, and that is pretty much the story in every sales call. Most of the funds that we do encounter have some kind of internal accounting, even if they don't do it on a daily basis, they do it monthly. The challenge for us is convincing them that we offer a product that is more cost effective and will perform a better task than anything they could put in place.

To give an example of this, we had a hedge fund here in Boston, a multi-billion dollar fund and they had one full-time person dedicated to reconciling positions from cash.

Within the first three months of implementation, the entire reconciliation job was given to the front-desk administrator, who had no knowledge of the reconcilaition process, but it was simply so easy. And the other person, the fund accountant, is happy because she moved up the ladder and is now doing trade settlements. So the way we see it, we're making everyone happy—the fund accountant, the front office, and of course ourselves. AST

Sethu Bijumalla
CEO and founder
Smonik Investment Systems

Do the right thing

Canada has recently introduced some new ventures that have a relatively democratic aim. AST investigates what will come of them

GEORGINA LAVERS REPORTS

Financial news coming out of Canada often has an integrity-led slant that is somewhat unique, compared to the global industry.

Take, for example, the launch of Purpose Investments this January. The founder, president and CEO of Purpose is Som Seif, previously the president and CEO of Claymore Investments.

Claymore was one of Canada's fastest growing asset managers, organically growing AUM to $7.8 billion when it was acquired in 2012.

But Seif chose not to concentrate on numbers with the launch of the new asset management firm, which he described as, "wholeheartedly committed to democratising the investment industry, providing all Canadians access to a range of investment strategies that have traditionally been out of their reach".

Similar to this sentiment was the creation of a new Canadian stock exchange, which will compete with current exchange TMX Group.

Aequitas Innovations entered the Canadian capital markets to establish a new stock exchange that promises to restore what it calls the "original purpose" of an exchange: the efficient allocation of capital between issuers and investors as a central force driving the Canadian economy.

The CEO of the exchange is Jos Schmitt, who originally started Alpha Group as a rival platform to TMX. He left the company in October after it was bought, along with Canadian Depository for Securities, to combine with TMX for $3.73 billion.

"We are seeking to apply innovation, technology and competition to improve fairness and efficiency in the markets with particular attention to the benefits of investors and issuers," said a release from the firm.

"Our stakeholders are professional money managers, pension funds, institutional and retail brokers and Canadian issuers, who believe there should be a level playing field for all market participants. A new and different exchange that strikes the right balance between liquidity, price discovery and cost efficiency, and enhances markets for the long-term investor."

"We are at a crossroads for our markets and we believe that competition will enhance confidence in Canada's capital markets, but more of the same won't address the issues that exist. Instead, we will tap innovation and technology to promote liquidity, fairness, cost savings and economic growth."

Aequitas's founding investors include Barclays and the Royal Bank of Canada, among others. The mission seems admirable, but it is not out of the woods just yet. The Ontario Securities Commission (OSC) announced on 14 August that it was seeking public comment on the new exchange, and pointed out that Aequitas has not yet filed an application with the OSC for recognition as an exchange.

The commission set out the market structure context and the principles underlying the associated regulatory structure that has been established over the last number of years, in particular noting the order protection rule and dark rules, which outline the regulatory approach to dark liquidity. Then, it asked 17 questions of the exchange, inviting public to also comment.

Aequitas was quick off the draw when it came to addressing concerns. One query of the commission was on the exchange's 'hybrid book'—a liquidity pool that will display resting orders in an aggregated way, and will only allow long-term investors to take liqudity. Somewhat ironically, given the exchange's promises of democracy, the commission asks if the book unfairly limits access.

"Limiting access should not be considered unreasonable when it supports market quality and addresses harm in the marketplace," came the exchange's answer. It seems that there is a while to go yet before regulator and innovator can join together, in the creation of a competing exchange in the Canadian markets.

Canada in the news

The asset servicing sector in Canada has been strong, with recent news not of doom and gloom, but of numerous mandates. AST rounds up the most significant in the first half of 2013

August: CIBC Mellon was selected to provide asset servicing for the pension plan for employees of the University of Prince Edward Island, based in Charlottetown, and the UPEI endowment funds.

July: Citi was mandated by Mirae Asset to provide fund administration, custody and index receipt services for a new ETF platform in the US under the Horizons brand.

The first ETF, the Horizons S&P 500 Covered Call ETF launched on 24 June of this year and will be followed by a series of sector ETFs. Taeyong Lee, the president of Mirae Asset Global Investments' global business unit, said that the firm's long-standing relationship with Citi helped in the decision.

Horizons ETFs Management, the Canada-based ETF issuer, launched its first US-listed exchange-traded fund, an S&P 500 ETF with a covered-call overlay, in June.

The fund joined three similar strategies already on the US market, but was the cheapest in class.

June: In Toronto, Industrial Alliance Insurance and Financial services renewed its contract with RBC Investor & Treasury Services, part of the Royal Bank of Canada, as its global custodian.

The firm continued to provide custody, foreign exchange and securities lending services for Industrial Alliance.

May: Another renewal; Citi signed on the dotted line and added global custody to its existing mandate of transfer agency services and fund valuation.

The fund in question was Excel Funds, Canada's first and only emerging markets-focussed mutual fund provider.

February: Purpose Investments chose CIBC Mellon to deliver a full suite of asset servicing solutions, including custody, fund accounting, ETF administration and securities lending services.

CIBC Mellon provided the newly-launched Purpose with a global custody solution via the BNY Mellon global network, and access to the Workbench investment information delivery platform.

Goal Group's Michael Bancroft discusses what the IMAX ruling means for Canada

In recent years, plaintiffs' lawyers in the US have been obtaining licenses to practice in Canada. This has been prompted by the US Supreme Court case, Morrison v National Australia Bank Ltd, which ruled against what have become known as f-cubed actions. The ruling has established precedent whereby a non-US shareholder who is suing a non-US company, whose stock was purchased on a non-US exchange, no longer is able to bring their case to the Supreme Court.

Although the US is still the most developed and dominant centre for securities class actions, there has been a growing pressure of global class actions looking for a home in a legislature that is able to define and prosecute a global class. US lawyers are finding that securities class action litigation is more favourable in Canada.

The Canadian Superior Court of Justice made an important ruling not only favouring securities class actions, but also prompting debate about Canada's role as a new centre for global securities class actions. In the Silver vs IMAX case, the court certified a global class of shareholders alleging misrepresentation in connection with a secondary market distribution of shares. Although similar global class actions have been certified in Canada in the past, their scale has been much more limited. With IMAX, commentators are now opining that global classes have firmly "arrived" in the Canadian legal system, and many are going so far as to predict that, as a consequence, Ontario will become a new international centre for the resolution of global securities disputes. Tanya Monestier, the author of paper 'Is Canada the New Shangri-La of Global Securities Class Actions?' argued, however, that to certify a class without accounting for the conflict of laws issues is, "like spilling a glass of water, only to indicate that it can be 'un-spilled' later, if need be".

The likelihood of Ontario's growth as an international securities class action centre should also be tempered by statutory limitations on damages, which are limited to the greater of 5 percent of the market capitalisation of the company, or $1 million. Additionally, damages attributed to officers and directors are generally limited to the greater of 50 percent of compensation or $25,000.

Although some commentators have questioned how long Canada will remain a global centre for securities class actions, Canadian securities class actions are sharply on the rise. At the beginning of 2012, there were a record 28 active Canadian securities class actions currently being considered by the courts and these were estimated to represent approximately $15.9 billion in claims. This rise may, in part, be attributed to the perception that Canadian securities class action legislation is similar to that of the US, and therefore plaintiffs launch parallel claims in Canadian jurisdictions. Amongst these similarities are comparable certification requirements, as well as the fact that primary and secondary liability is enshrined in the laws of most Canadian provinces. **AST**

Michael Bancroft
Managing director for the Americas
Goal Group

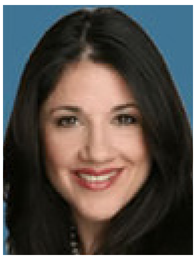
Industry appointments

State Street Global Advisors (SSgA) has appointed **Louis de Montpellier** as global head of its official institutions group. De Montpellier joins from the Bank for International Settlements in Switzerland, where he has been deputy head of the banking department since 2005.

The department is responsible for providing banking and asset management services to more than 150 central banks and international organisations. He will join SSgA at the end of September.

De Montpellier succeeds John Nugée who will retire at the end of October. Nugée will remain in an advisory capacity as a strategic consultant for the group, and will continue to provide research and participate in select client events.

De Montpellier has held a variety of positions at companies including Morgan Stanley, The Ministry of Finance in Belgium, European Bank for Reconstruction and Development and Credit Suisse.



The Hedge Fund Association (HFA) has made a few recent appointments to its advisory board and regional divisions.

Global wealth consultant **Hannah Shaw Grove** (pictured left) has been hired to its high net-worth advisory board.

She is a founder and executive editor of Private Wealth, and the author of 10 books on topics including family offices, hedge funds and wealth management.

The association also announced new regional leadership appointments. Victor Hugo Rodriguez, the first director of the HFA's LatAm chapter, is passing the reins to **Juan Garrido** and **Les Baquiran**.

The Depository Trust & Clearing Corporation (DTCC) is making several executive management appointments, effective 1 September.

Ellen Fine Levine has been appointed executive client officer, a new position for the company. Currently CFO at the firm, her primary responsibility will be to enhance DTCC's client coverage strategy for the company's top- and middle-market clients globally.

Susan Tysk-Cosgrove, general manager of settlement and asset services is replacing Levine as chief financial officer.

Daniel Thieke (pictured left) is taking Cosgrove's role, and will lead initiatives such as the corporate actions reengineering effort, dematerialisation of physical securities and leading continued structural changes to US settlement processes.

Alexander Broderick will join the company as CEO of DTCC Deriv/SERV. Based in London, he will oversee DTCC's overall OTC derivatives global post-trade processing and trade reporting.

Broderick is currently CEO of New York Portfolio Clearing. Over the coming months he will have dual responsibilities for both firms.

Stewart Macbeth, who is currently the CEO of DTCC Deriv/SERV, moves to the newly-created position of chief product development officer.

Other leadership appointments within DTCC Deriv/SERV include COO **Chris Childs**, who expands his responsibilities to include all derivatives business and product management, and **Marisol Collazo**, who assumes the position of US CEO for the DTCC Data Repository.

Lynn Bishop has been named chief technology officer. She is currently managing director of the clearing services applications development and maintenance team. **AST**

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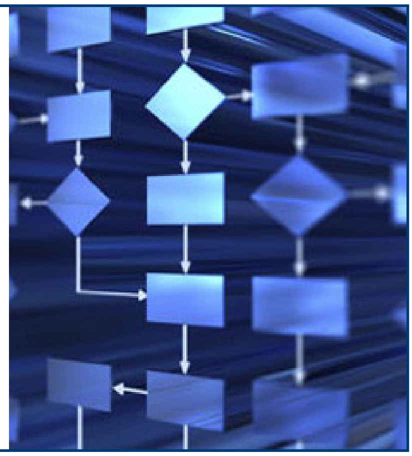

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