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HSBC Securities Services introduces third party clearing to Singapore

HSBC Securities Services (HSS) has launched third party clearing services in Singapore.

HSBC has been admitted as a bank clearing member for securities by Singapore Exchanges (SGX), enabling the bank to offer the exchange's trading members an expanded suite of broker clearing services in Singapore, including third party clearing.

Colin Brooks, global head of sub custody and clearing, said: "We are excited to be registered with the SGX as a bank clearing member. Singapore is a key market for our broker-dealer strategy and is pivotal for the development of our industry-leading solutions for this client group. We already provide on-exchange clearing to brokerage clients in Asia Pacific, which also includes collaboration with exchanges on account operator and third party clearing services in Australia, Hong Kong, Japan, Malaysia and Thailand."

SGX registered trading members can now appoint HSBC in Singapore under the third party clearing model for clearing and settlement of their trades on the exchange. Once trades are executed, HSBC will clear and settle transactions on behalf of these broker-dealer clients.

HSBC will also arrange to credit its end client's or proprietary accounts after exchange settlement. As well as eliminating the liabilities associated with a clearing membership, HSBC's broker-dealer clients can benefit from a significant reduction in their expenditure on the systems, infrastructure and people required to support these operations in-house, said a statement from the firm.

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Cayman stock exchange issues new rules

The Cayman Islands Stock Exchange (CSX) has issued new listing rules for equities and investment funds, following its upgrade to the Deutsche Boerse XETRA trading platform.

Existing rules have been refined based on market and regulatory developments and new rules have been added to accommodate the nature of specialist companies, particularly mineral and shipping companies.

Investment funds, including exchange traded funds and forestry funds that may be seeking sophisticated investors have also been accounted for in the new listing rules.

New rules have also been established to provide adequate transparency and disclosure for the inclusion of retail investors, or those investing less that $100,000 in listed companies.

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Custody recruitment firm sets up in Hong Kong

A new recruitment firm has been launched in Hong Kong that focuses on custody and asset servicing.

Custodian Group is a new executive search firm established in August 2013 by John Byrne.

The firm will focus primarily on custody, asset servicing and prime brokerage related clients throughout the APAC region.

Byrne said that its key capability would be in sourcing talent both locally and from European markets.

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HSS introduces third party clearing to Singapore

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Tony Lewis, head of HSBC Securities Services Singapore, said: "HSBC has played a central role in the development of Singapore's securities industry over many decades. This latest advance demonstrates HSBC's continued commitment to, and investment in, this very important market. The clearing membership enables us to offer a fully integrated proposition to our clients, relieving them of the cost challenges associated with post-trade settlement and allowing them to focus on their core business of trading and execution."

As an alternative to third party clearing, broker-dealer clients can also choose to appoint HSBC in Singapore under the account operator model. Under this arrangement, HSBC acts as the client's agent to perform their clearing activities on the exchange using the client's own SGX clearing membership.

The launch of these services in Singapore follows closely behind HSBC Securities Services' creation of a broker outsourcing securities services division in July this year.

The services give broker clients the option to outsource either a part or the whole of their middle and back office operations to HSBC.

Cayman stock exchange issues new rules

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Modifications have also been made to the general rules, including expanding the eligibility provisions with new requirements for corporate advisors to act for equity issuers open to retail investment, and provisions for a fast-track procedure for the consideration of suitability for listing.

Nick Small, head of listings at the CSX, said: "We have issued new rules for equity securities that will benefit those specialist products that have specific listing needs and where Cayman has significant regional expertise, such as investment funds and shipping companies."

Custody recruitment firm sets up in Hong Kong

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"We aim to use our considerable expertise in this field to deliver recruitment capabilities to this expanding sector across Asia. We will use our extensive network here in Asia as well as our longstanding ties to Europe in order to source both local talent, as well as senior executives from more mature markets," he said.

"As the growth of the asset management industry in Asia continues, asset servicing is facing a whole new raft of challenges and opportunities in what can be a highly fragmented regional market."

"Increased regulatory pressures combined with potential new entrants in the form of Chinese banks will see a shake-up of the traditional custody and sub-custody networks. Custodian Search will provide clients with a clear picture of the rapidly shifting recruitment market as well as offering tailored search solutions that will allow firms to effect organisational change."

Fund administrators reveal concerns

Roughly three in 10 fund administrators (29 percent) are concerned about the lack of automation of their key operations. An additional 24 percent are concerned with data integrity, and another 12 percent with reporting errors.

These were some of the findings of a recent Confluence survey, which profiled fund administrators to find trends in the industry.

It was also found the top four back-office operations respondents plan to automate in the next two years. These included: regulatory reporting (25 percent); expense payments and budgeting (24 percent); financial statement reporting (20 percent); and performance reporting (20 percent).

According to the survey, the three primary global challenges for fund administrators are standardising processes for corporate management while maintaining flexibility for localised reporting (35 percent); pressure to comply with multi-regulatory regimes simultaneously (18 percent); and administering funds across multiple time zones (8 percent).

SimCorp enters the next Dimension

SimCorp has released Dimension 5.4, the latest version of its investment management software solution, the second of its two annual releases.

Version 5.4 introduces a new trade processing dashboard that enables buy-side firms to manage their processing workload more efficiently, with full transparency and in real-time.

In coming releases, SimCorp will introduce a series of additional dashboards and accompanying alerts functionality as part of a new asset services dashboards and alert package.

Klaus Holse, CEO of SimCorp, described the upgrade in a recent release as a prime example of how SimCorp remains committed to providing its asset management clients with innovative solutions.

He added: "The functionality introduces in version 5.4's new dashboards is an answer to the market demand for better and more efficient trade processing management."

"Our substantial and on-going investments in research and development yield two software releases every year. This enables SimCorp clients to constantly operate on a state of the art platform, quickly capitalise on new market trends and comply with increasing regulatory requirements."

The next version of SimCorp Dimension will be released in February 2014.

ASTINBRIEF

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Mauritian fund administrator Abax chooses eFront

Abax Corporate Services has chosen eFront's solution FrontInvest to enhance its private equity fund administration operations.

Abax provides corporate management and advisory services in Mauritius, and eFront is a solutions provider for managing alternative investments.

"We wanted to provide our clients with the best services possible. So, we needed a very flexible solution capable of supporting high quality service delivery to our clients and that can evolve with the market," said Amit Gupta, COO at Abax.

"We believe that FrontInvest will help us improve our processes and support us as we grow our fund administration service line," said Nousrath Bhugeloo, Abax's chief business development officer and head of the Abax fund administration division.

"We are delighted to partner with Abax Corporate Services as our first client in Mauritius," said Wissem Souissi, sales manager of eFront Asia & Middle East.

"Abax is well-known and respected in the market, and we are proud that they chose FrontInvest to streamline and automate their fund administration operations. We are sensitive to the needs of the Mauritius market and look forward to providing our new customer with high-quality solutions."

SS&C GlobeOp measures August increase

The SS&C GlobeOp Forward Redemption Indicator for August has shown notifications of 4 percent, up from 2.71 percent in July.

The forward redemption indicator represents the sum of forward redemption notices received from investors in hedge funds administered by SS&C GlobeOp on the GlobeOp platform.

Bill Stone, chairman and CEO of SS&C Technologies, said: "August redemption requests increased from July by over 1 percent, but remain moderate and in-line with past averages."

MarkitSERV throws trades over to clearinghouses

More than 600,000 trades have been submitted to clearinghouses by MarkitSERV in the period between 11 March, when the Commodity Futures Trading Commission made clearing of certain OTC derivatives mandatory, and the end of July.

In the first half of 2013, the volume of trades submitted for clearing using MarkitSERV was up 48 percent from the same period in 2012, and included more than 120,000 client trades—transactions in which at least one party is not a member of a clearinghouse—on behalf of approximately 280 firms.

More than 300 buy-side firms became new subscribers of MarkitSERV's clearing connectivity so far this year.

Henry Hunter, managing director and head of product management for MarkitSERV, said: "The CFTC's Category 2 deadline affected a large number of firms and the industry has accomplished a lot in a short time. Firms need a seamless trade management process for the front, middle and back office, so they can meet obligations to clear trades moments after they execute."

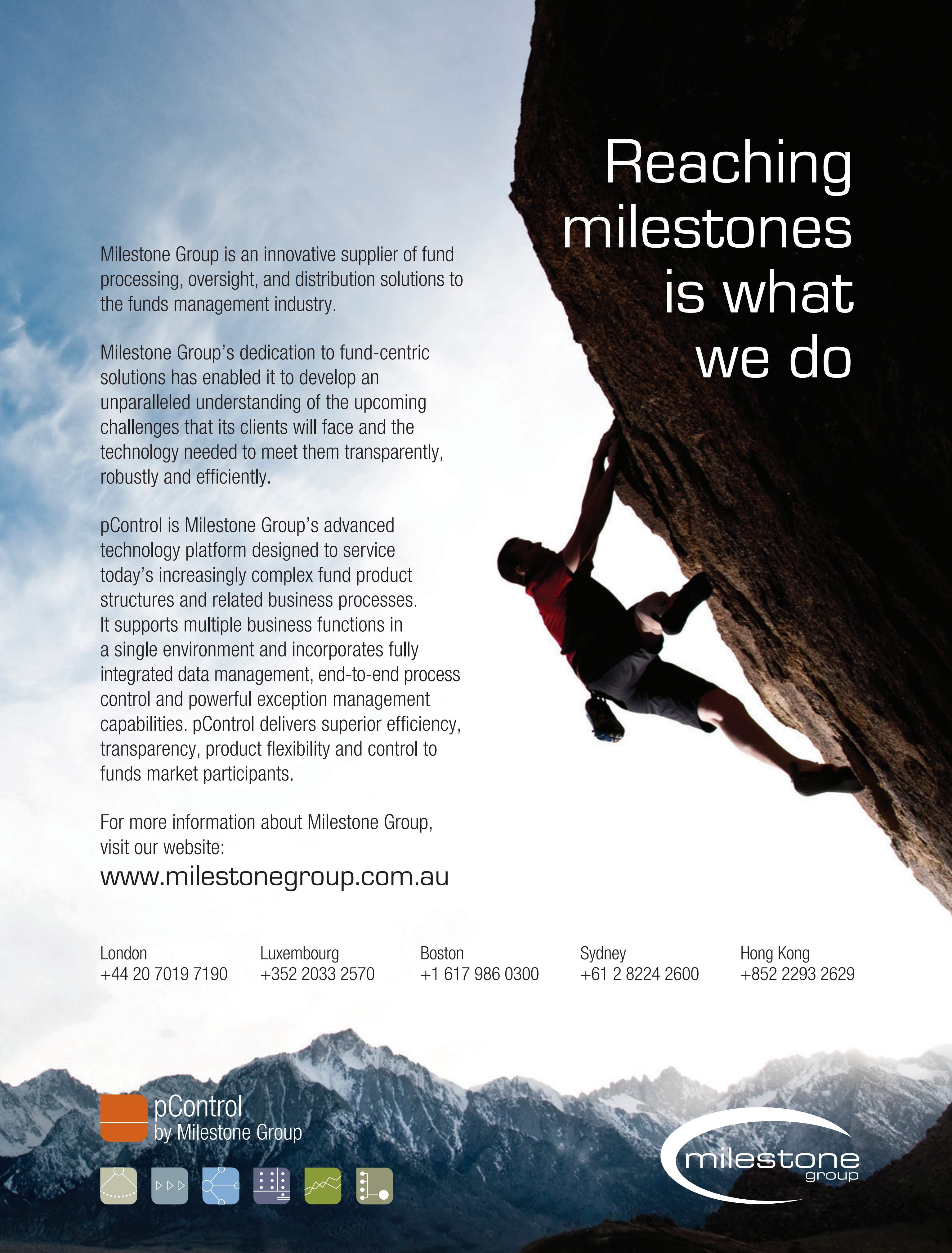
MarkitSERV connected to its first clearinghouse in 2004. Today, the service links more than 2,500 buy-side firms, 100 dealers and 70 execution venues to 13 clearinghouses worldwide. MarkitSERV's newest clearing connection is to LCH.Clearnet LLC (SwapClear US), which launched in June.

The CFTC-registered derivatives clearing organisations (DCO) that MarkitSERV connects to are CME, ICE Clear Credit, ICE Clear Europe, LCH.Clearnet LLC (SwapClear US), LCH.Clearnet Ltd (SwapClear UK), and Options Clearing Corp (OCC). MarkitSERV is also connected to Eurex Clearing AG and LCH.Clearnet SA (CDSClear), each of which has DCO registrations pending with the CFTC.

BNY Mellon company Pershing picks SunGard

Pershing LLC, a BNY Mellon company, has selected SunGard to provide market connectivity to its newest international broker-dealer in Canada.

SunGard's SaaS-based Valdi Market Access will help Pershing to connect directly to Canadian trading venues, supporting the firm's growth


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.
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plan to offer its clients enhanced trade execution in North America.

Prior to implementing Valdi Market Access for Canadian trading, Pershing relied on multiple local brokers for execution.

By accessing Canadian trading venues directly, the aim is for the firm to deliver new execution services to its customers, while reducing cost by outsourcing the service to SunGard.

"Offering our clients direct access to Canadian markets was a critical step for Pershing's growth plan. Using SunGard's hosted infrastructure allows us to focus on our core business while better controlling costs," said Derek Penn, managing director of Pershing LLC.

"SunGard is seeing more and more firms looking to Canada as a focus for their North American trading businesses," said James Corrigan, senior managing director, SunGard's Valdi.

"In order to achieve agile growth in this in-demand market, these firms must be equipped with solutions and services that can offer their clients direct access to trading venues and efficient models to help control costs."

SunGard's Valdi Market Access delivers access to more than 110 trading venues worldwide.

SS&C Technologies looks to Luxembourg

SS&C Technologies has expanded its current European presence with a new Luxembourg office.

Asset growth of funds domiciled and/or administered in Luxembourg grew more than 16 percent in the past 12 months to $2,584,099 billion assets under management, according to the Association of the Luxembourg Fund Industry (ALFI).

SS&C GlobeOp's Luxembourg office offers fund administration and middle-to-back office services, including fund accounting and reporting, share registry and transfer agency services, and investor communications.

Managed account platforms, UCITS funds and SIFs are supported with independent portfolio and over-the-counter (OTC) derivative valuations, integrated risk analytics and aggregated web-based reporting.

"Luxembourg is an important market for our existing and future hedge fund, private equity and fund of hedge fund clients, and opening a full service office there is an important part of our expansion strategy into additional domiciles to be closer to our clients and service them on the ground," said Bill Stone, chairman and CEO of SS&C Technologies.

"In addition to offering the quality and scope of sophisticated services and technology to funds, we will leverage our Luxembourg team, led by Nick Curwen, drawing expertise from our network globally and locally."

Data line forged between London and Moscow Exchange

BCS Prime Brokerage has launched what it calls the fastest ultra low latency data line yet, between London and the Moscow Exchange.

The development allows BCS Prime clients the opportunity to trade equities, derivatives, FX and other financial products between the two financial centres in the most time and cost efficient manner.

It is the first ultra-low latency data line with a sub-39 millisecond connection between Moscow's M1 data-centre and the InterXion in London, ensuring the best available line between the two financial centres.

According to a report by advisory firm TABB, every millisecond of latency can result in up to $100 million per annum in lost revenue.

BCS believes this lower latency will now result in higher trading profits for its clients.

Michael Barmettler, the managing director at BCS Financial Group, said: "The implementation of this new ultra-low latency connectivity service between London and Moscow establishes once again that BCS is leading the industry by offering our clients the best possible platform to maximise their Russia trading strategies and profits. This ongoing dedication to the latest technology is why BCS Prime is the first choice when it comes to trading Russian markets successfully."

In June 2013, BCS was granted UK regulatory authorisation by the Financial Conduct Authority (FCA) to deal and advise on investments and hold client assets, officially marking the launch of its international brokerage business.

Citi heads down into Jamaica

Citi has expanded its mandate with the Caribbean bank Sagicor Jamaica to provide fund administration, global custody and treasury services for Sagicor Investment Jamaica; Sagicor

Sigma Funds and Sagicor Investments, as well as Sagicor Bank Jamaica's proprietary assets.

Citi currently provides daily securities valuation, reconciliation, fund accounting, reporting and custody services for Sagicor Life Jamaica and Sagicor Life Cayman Islands.

"This new mandate from Sagicor is further evidence that managers in emerging markets, like the Caribbean, are increasingly recognizing the value of outsourcing investment services and treasury functions," said Neeraj Sahai, global head of securities and fund services at Citi.

Siri-esque voice recognition arrives on the fund market

Voice recognition behind devices such as Apple's Siri and sat nav systems have been introduced into the financial sector.

Software provider SS&C Technologies has embedded a voice recognition assistant in its iPhone and iPad app for mobile fund administration, aiming its technology at those who are often out of office.

With the new technology, customers can perform routine enquiries or access reports by speaking out pre-defined, aided keywords. The voice recognition technology enables users to navigate the SS&C GlobeOp App menu, review fund documents and access critical reports.

SS&C GlobeOp has submitted the latest release to the Apple app store.

"When a customer uses the app, the virtual voice recognition assistant will respond to questions and commands in a way similar to Apple's Siri," said Bill Stone, chairman and CEO of SS&C Technologies.

"Customers can ask pre-defined commands such as 'Show me my fund's exposure by asset class' and 'Tell me my best fund performance'. We believe we are first to market with this capability for the alternatives market. We also continue to deliver on our primary focus which is providing exceptional investment intelligence to our customers anytime, anywhere."

Increased focus on private fund advisors is forcing through change

ALPS Fund Services, which provides administration for the alternative asset management industry, is expanding its broker-dealer solution to service private funds through ALPS Distributors.

The expanded service will provide an avenue for private fund managers to navigate the rules and regulations regarding the sale of private placements. In recent months, SEC examination staff have increased their focus on private fund advisors as was noted in an April 5, 2013 speech given by David Blass, chief counsel, division of trading and markets.

"I would like to be sure that the private fund adviser community is not overlooking a significant area of concern under the Securities Exchange Act of 1934—activity that could cause a private fund adviser to be required to register as a broker/dealer … This is an issue that warrants some attention before examiners arrive."

In response to SEC comments on the subject, targeted exams and several recent enforcement actions, private fund managers have been forced to evaluate registration requirements and review internal compliance procedures.

The service offering will include fund advertising and sales literature review with real-time online status updates through ALPS' proprietary advertising review system.

ALPS will also maintain and supervise FINRA registrations for licensed individuals, including the coordination of continuing education requirements.

IOSCO seeks comment on CCPs

The Committee on Payment and Settlement Systems (CPSS) and the International Organization of Securities Commissions (IOSCO) have published for public comment a consultative report on the recovery of financial market infrastructures.

The report provides guidance to financial market infrastructures such as CCPs on how to develop plans to enable them to recover from threats to their viability and financial strength that might prevent them from continuing to provide critical services to their participants and the markets they serve.

It also provides guidance to relevant authorities in carrying out their responsibilities associated with the development and implementation of recovery plans and tools.

The report has been produced in response to comments received on the July 2012 CPSS-IOSCO report on Recovery and resolution of financial market infrastructures that requested more guidance on what recovery tools would be appropriate for FMIs.

The report supplements the CPSS-IOSCO Principles for financial market infrastructures (PFMI), the international standards for financial market infrastructures (FMIs) published in April 2012. It provides guidance on how FMIs can observe the requirements in the PFMI that they have effective recovery plans.

This is a consultation and does not itself create additional standards for FMIs. The report is also consistent with the Financial Stability Board's key attributes of effective resolution regimes for financial institutions, published in October 2011.

FMIs, which include payments systems, securities settlement systems, central securities depositories, central counterparties and trade repositories, play an essential role in the global financial system.

The disorderly failure of an FMI could lead to severe systemic disruption if it caused markets to cease to operate effectively.

Published with the report is a cover note that lists specific issues on which the committees seek comments during the public consultation period. Comments on the report are invited from all interested parties and should be sent by 11 October 2013 to both the CPSS secretariat and the IOSCO secretariat.

The comments will be published on the websites of the BIS and IOSCO unless commentators have requested otherwise.

SunGard expands corporate actions to Singapore

In response to customer demand for solutions to address increasing complexity and volumes of corporate actions in Asia-Pacific, SunGard has expanded its XSP business to build a presence in Singapore.

In Asia, SunGard's XSP platform and XSPrisa Software-as-a-Service (SaaS) solutions help broker-dealers, asset managers and financial services firms to eliminate traditional manual processing associated with corporate actions.

"SunGard's XSP's move to help improve corporate actions processing automation in Asia-Pacific comes at a time when the region is setting plans in motion," said Virginie O'Shea, senior analyst at Aite Group.

"Japan is first up to bat by planning to support ISO 20022 for issuer messages by June 2014 and the Australian Stock Exchange is currently working on its plan to mandate the use of ISO 20022 standards for issuers listing on the exchange."

"Four additional countries—India, Thailand, Singapore, and Indonesia—are live on ISO standards and seven additional countries have projects in progress. A focus on technology automation is a must for firms that want to continue operating efficiently amidst the shifts taking place in the corporate actions space."

"As volumes and complexity of corporate actions increase, growing operational risk is being managed via costly manual processes," said Harry Rana, director of business development in Asia-Pacific, SunGard's XSP.

"This is especially true in Asia, where the tendency has historically been to manage risk by increasing headcount rather than automation. SunGard's XSP delivers multiple advanced technology solutions to manage every critical step in the corporate actions lifecycle. Our solutions increase firms' levels of straight-through processing by reducing the need for manual intervention, thus minimizing the possibility of human error."

XSP was acquired by SunGard in December 2012. XSP automates the full corporate actions lifecycle and aims to reduce the risks associated with manual processes.

Chapman's Eye on the market

Time for a cheeky career move?

Whilst critically analysing the pros and cons of Cheryl Cole's latest tattoo (do Google it if you haven't noticed it already), my thoughts turned to the obvious question of permanence. Short of quite drastic cosmetic surgery, our Cheryl will be stuck with her florid roses forever.

In the world of employment, however, few things are permanent—whether they want to or not, whether expected or not, anyone can be let go from their role with, literally, a moment's notice. Conversely, and increasingly nowadays, the shoe is also on the other foot in that candidates are choosing to take control of their own destinies to a degree and preferring to take contract roles as opposed to fully permanent ones.

In the 'new normal' world, such a move will be increasingly common and, with most things in life, there are positives and negatives to both. On the pro side, being a contractor can be lucrative and, once you have set up your own company, tax efficient and hassle-free. You needn't get overly involved in office politics as the permanent workers alongside you don't regard you as a threat to their positions, and you can use it as a great 'taster' to see if you like the culture, strategy and workforce, with a view to subsequently converting to a permanent position. Depending upon the role, sector and firm, a contract can last many months, if not years. Finally, there is great flexibility—a good, solid six- or nine-month spell should allow you to take a break for a couple of months to spend more time with the family/on the house/on the golf course, as appropriate.

On the flip side, there's no guarantee of ongoing employment, other than the salary there are few ancillary benefits, you can feel and be treated like something of an 'outsider' when it comes to company events, and one eye always has to be on the next opportunity to make sure there's continuity of income and no employment voids.

Finally, and this is something of a contentious point, a contractor arguably has to work harder as they are being evaluated and remunerated on a daily basis—a full-time employee of many years' standing is rarely, I'd suggest, obliged to give 100 percent each and every working day.

Not every role lends itself to contract working; sales and relationship management, by their very nature, require a degree of continuity and permanence. However, an increasing number of firms are embracing the concept of converting fixed staffing costs to variable.

Other than dear Cheryl, why is this burgeoning world of contracting on my mind? Well, watch this space.

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

Paul Chapman, managing director, HornbyChapman Ltd

Chalking it up

Priyanka Birla, senior research analyst covering financial risk at Beroe, discusses the processes behind analysing bank risk

A bank's financial statements represent a set of unique risk factors, which change with varying policies, practices and perceptions in the banking system. This calls for an analysis procedure that is markedly different from assessing the manufacturing or service sectors.

Risk in banking systems

The six most common risks the banking system suffers from which can be classified as i) financial risks; and ii) non-financial risks. Financial risks can further be classified into three main sub headings:

Credit risk:

The credit risk or default risk can be defined as the potential loss that can be incurred due to failure of the bank's counterparty to meet its obligations as per the terms of the contract. For example: a homeowner stops making monthly mortgage payments.

Liquidity risk:

Liquidity risk arises when a bank is unable to raise funds to meet the expected or unexpected obligations of collateral or cash without adversely impacting the bank's financial conditions (funding liquidity risk) or when a bank is not able to write off its position in some financial instruments due to inadequate market depth or market inefficiencies (market liquidity risk).

Market risk:

Market risk arises due to movement in various market policies. The market risk management of a bank involves assessment of sensitivity of a bank's earning to various factors like foreign exchange rates, interest rates, commodity prices and equity prices.

Non-financial risks can be further classified into following three types:

Operational risk:

The risk to bank's current income and prospective income due to failed internal processes, systems, people or from any other external event is called operating risk.

Strategic risk:

The risk to bank's current or prospective earnings due to poor business decisions, ineffective implementation of the business decisions or due to lack of responsiveness or compatibility to changing external and internal business environment is called strategic risk.

Compliance risk

The risk to current and potential earnings due to non-compliance to or violations of various laws, rules regulations, prescribed practices, agreements or ethical standards is called the compliance risk.

Ratio analysis using CAMELS framework

CAMEL rating was adopted as a common financial institution rating system by the Federal Financial Institution Examination Council in the US in 1979. Later, in 1987, it was adopted by the National Credit Union Administration in the US.

The acronym represents the following five parameters of a bank's financial health:

- Capital adequacy;
- Asset quality;
- Management quality;
- Earning ability;
- Liquidity; and
- Sensitivity to market risk

Each of the above components would be rated on a scale of 1 to 5:

- 1= Strong
- 2= Satisfactory
- 3= Fair
- 4= Marginal
- 5= Unsatisfactory

Capital adequacy

Maintaining an adequate level of capital to align with the various risk exposures like market risk, credit risk, operational risk is a critical element to measure a banking institution's financial performance and is measured in terms of statutory minimum capital standards prescribed in Basel III guidelines.

Asset quality

Losses due to delinquent loans in the loans portfolio of the bank is the greatest risk a bank faces. The provisions made against potential loan losses not only impact the loan portfolio value, but also the underlying capital of a bank.

Loans for which the debtor does not make scheduled payments for at least 90 days will be classified as a non-performing loan. The loan is defaulted or close to being defaulted as the probability of it being paid out becomes significantly low.

Management quality

This parameter is used to assess the ability of a bank management to efficiently generate revenues and profitability and to identify, to measure and to control risk factors in order to ensure smooth and safe functioning of an institution that is in compliance with laws and regulations applicable to the institution.

Earnings quality

Good earnings quality is a safeguard against depletion of capital due to shrinking asset values. Effective credit analysis prior to granting loans will lead to higher recovery rates and thus inflate the ratio above industry ratios.

Liquidity

Adequate liquid assets should be available with a bank that can be easily converted to cash with minimal loss to fund short-term obligation. Thus, the risk of maturity mismatch between the assets and liabilities is high among banks.

Banks can face unforeseen demand from customers to withdraw from their deposits. At any time, the bank should have enough short-term assets which are easily convertible to cash as and when liquidity is required to meet the customers' demands.

Findings

By conducting the CAMEL analysis on top 20 banks worldwide, ranked according to their asset base, we have given the banks ratings between 1 and 5 (1 being the best and 5 being the worst). The result of our analysis is summarised in the table to the right. **AST**

Tier 1 capital of a bank can be calculated using the following equation:

Paid-up common stock	$XXX
Add: Non-cumulative perpetual preferred stock	$XXX
Add: Capital Surplus (premium over par)	$XXX
Add: Disclosed reserves	$XXX
Less: Intangible Assets e.g. Goodwill	($XXX)
Total Tier 1 capital	**$XXX**

Tier 2 capital of a bank can be calculated using the following equation:

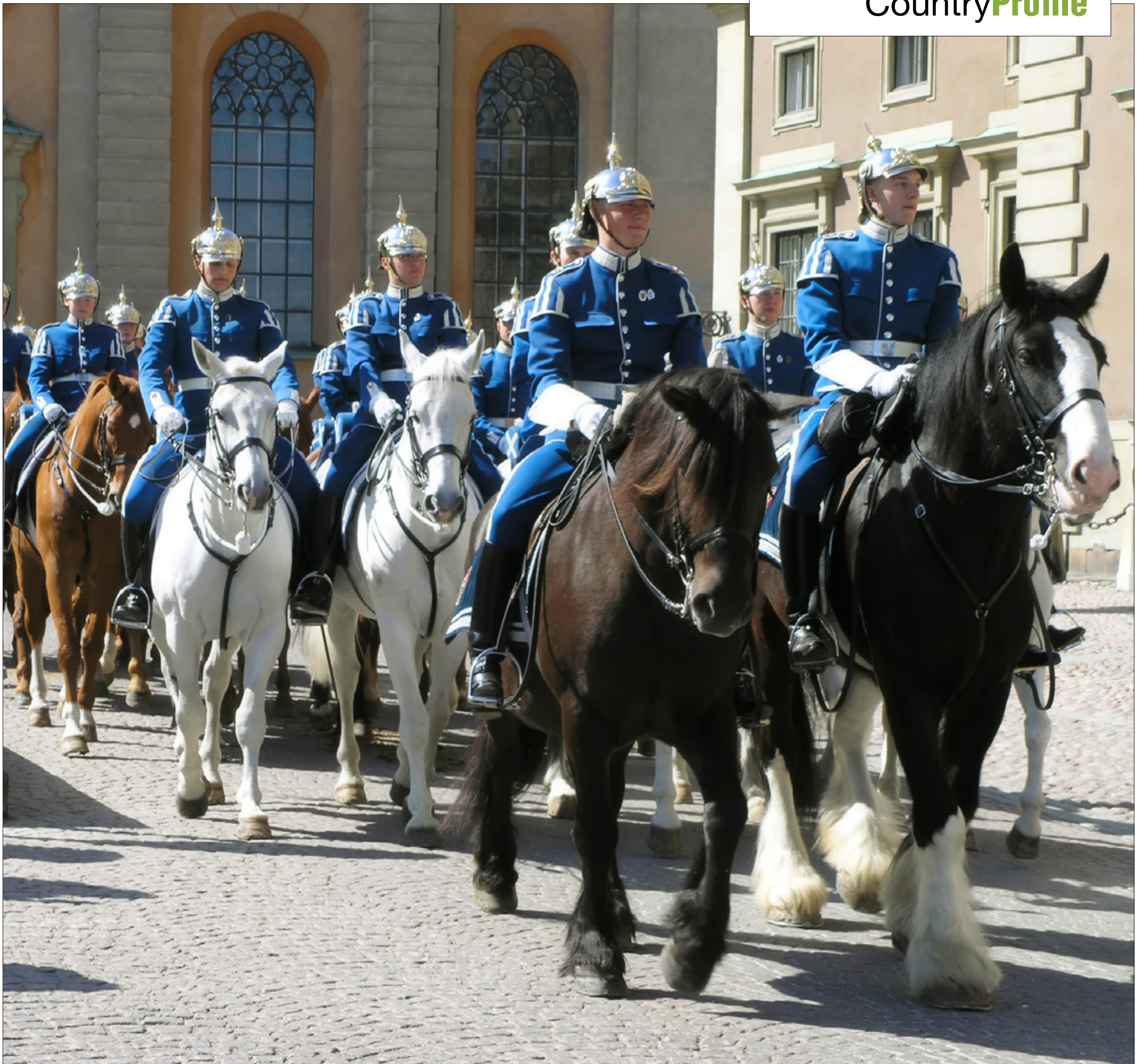
Undisclosed reserves	$XXX
Add: Subordinated (term) debt	$XXX
Add: Hybrid capital instruments	$XXX
Add: Asset revaluation reserves	$XXX
Add: General provisions or loan loss reserves	$XXX
Total Tier 2 capital	**$XXX**

Risk weighted capital or the credit exposures are assigned risk weightage based on the following table:

Asset Type	*Risk Weightage*
Cash	0%
Short term claims on Government	0%
Long term claims on governments	10%
Claims on banks	20%
Claims on public sector entities	20%
Residential mortgages	50%
All other credit exposures	100%

Bank ratings using CAMEL anaylsis

Bank	Capital Adequacy	Asset Quality	Management Quality	Earnings Quality	Liquidity	Overall Rating
Deutsche Bank AG	1.74	2.67	3.89	3.54	3.55	2.91
BNP Paribas SA	1.43	2.76	3.85	2.95	3.55	2.70
Industrial & Commercial Bank of China Limited	1.25	1.45	3.85	1.38	2.34	1.76
Crédit Agricole SA	1.78	2.91	4.64	3.44	3.52	3.02
Barclays Bank PLC	1.68	3.34	3.68	3.82	3.70	3.13
China Construction Bank Corporation	1.18	5.52	3.81	1.39	2.37	1.76
Agricultural Bank of China Limited	1.49	1.67	3.96	1.37	2.17	1.85
The Royal Bank of Scotland plc	1.43	3.01	4.49	4.01	2.70	2.97
Bank of China Limited	1.17	1.50	3.69	1.71	2.59	1.85
The Bank of Tokyo-Mitsubishi UFJ Ltd	1.52	2.71	2.80	2.89	2.29	2.41
JPMorgan Chase Bank National Association	1.00	1.63	3.50	2.20	2.54	1.94
Sumitomo Mitsui Banking Corporation	1.37	2.35	2.45	3.04	3.04	2.39
Société Générale	1.51	2.13	4.02	3.36	3.32	2.65
Banco Santander SA .	1.38	3.22	3.53	1.86	3.58	2.50
Lloyds TSB Bank plc	1.44	1.66	3.77	3.36	3.64	2.54
Bank of America NA	1.00	3.02	3.98	3.12	2.92	2.62
UBS AG	1.56	2.36	3.92	4.45	3.35	2.99
HSBC Bank plc	1.17	1.77	3.84	2.52	2.88	2.18
Citibank NA	1.00	1.65	2.20	2.17	2.77	1.84
Wells Fargo Bank NA	1.15	2.01	3.01	1.88	2.62	1.96



Changing of the guards

Nordic exchanges have seen some significant structural changes over the last year. AST investigates

GEORGINA LAVERS REPORTS

News from the Nordics has been flooding in, and most of it has been coming from the exchanges. Last summer, Nordic securities exchange Burgundy, which offers trading in more than 1200 securities in Denmark, Finland, Norway and Sweden, launched a competitive clearing service that allowed customers to choose between European clearinghouses the European Multilateral Clearing (EMCF) and SIX x-clear.

Olof Neiglick, the CEO of Burgundy, said at the time: "This is an important strategic milestone for our clients as we are the first Nordic exchange that offers choice in the increasingly important clearing landscape. In the last three years we have seen a radical transformation in the way equity trading takes place, resulting in lower transaction costs for investors."

"Now we are taking the next step by introducing competition also for the clearing part. Deregulation and competition are the main drivers behind service improvements and price cuts in any market—this is also the case for Nordic securities trading as the industry matures."

But autumn of the same year brought a very different change, when it was announced that

securities trading firm Oslo Børs was set to acquire full ownership of Swedish exchange company Burgundy.

The firm purchased Burgundy from a group of Nordic banks and brokers, with the hope that the acquisition would mean the exchange becoming a stronger competitor—both for other Nordic exchanges, and for foreign trading platforms that offer trading in Nordic securities.

Most recently, significant changes were announced by exchanges across the region that specifically addressed clearing. NASDAQ OMX announced a new operating structure for the local entity in Stockholm, Sweden, as a part of the continued compliance with key EU regulation EMIR (European Market Infrastructure Regulation).

Independent directors were appointed for the exchange in Stockholm, in preparation for the separation of the clearing operations and the exchange related operations that was executed on 3 September 2013.

The current clearing-house operation will then be maintained within the current company, which will be renamed to NASDAQ OMX Clearing AB.

All exchange related operations will be moved to another separate company within the NASDAQ OMX Group, and the exchange company will assume the name NASDAQ OMX Stockholm.

Under the new structure, Johan Rudén was appointed president of the clearing facility, and Magnus Billing has been appointed president of NASDAQ OMX Stockholm.

The NASDAQ OMX Group, which operates seven Nordic and Baltic exchanges, also announced plans to expand the range of interest-rate swaps it clears. The exchange is now aiming to clear interest-rate swaps denominated in Danish kroner, Norwegian kroner and euros. Moreover, it was made clear that the exchange will start processing some products in the market for repurchase agreements. **AST**

Finland has typically been more cautious than its Nordic counterparts when it comes to class actions, says Pat Bingham-Peters of Goal Group

Goal Group's analysis of its class actions knowledge base predicts that by 2020 annual securities class action settlements in Europe will reach $3.29 billion. Class action legislation in Nordic countries has progressed since the late 1980's when Per Henrik Lindblom published a major book on class actions in which he stated that there were "no decisive barriers to a Swedish adoption". Its publication is said to have prompted the first policy meeting for all Nordic countries in which it was generally agreed to pursue class action legislation. In January 2003, Sweden introduced securities class actions legislation and Norway and Denmark followed suit in January 2008.

Nordic lawmakers have typically been interested in legislative behaviour in other Nordic countries, but where Sweden, Norway and Denmark have taken their lead from the US by introducing similar-style class actions, Finland has been more cautious. Sweden, Norway and Denmark do not limit the scope of their class actions and therefore permit securities class actions with no attorney limits.

Finland, however, limits its class actions to consumer protection and environmental issues and cases must be brought by a Consumer Ombudsman. It is believed that Finland differs because laws are prepared in ministries where working groups discuss the political details before a formal law proposal is submitted to the parliament for review. When discussing the political details, empirical data from other countries was not consulted but the theoretical speculations and submissions from selected interest groups were. This influenced the areas that class actions would be extended to in Finland, and ignored the example of Sweden which, at that time, had not processed any environmental class actions.

With such a long standing history of securities class actions, it is quite possible that Sweden could become a centre for the prosecution of securities class action cases in the Nordic region. However, there are some limitations at present as Sweden currently adopts the 'loser pays' system whereby members of the class are at risk of paying the defendant's costs should the lawsuit fail. This, combined with the 'opt-in' mechanism may deter the use of class actions. The situation is similar in Norway and Denmark, however Norway and Denmark have an 'opt-out' policy available in the case of small claims.

In recent years, responsibility for class action identification and participation has increasingly been written into the contracts of fund managers and custodians who have a fiduciary duty to ensure that their clients participate in securities class actions that aim to recoup some of their investment losses. Awareness of class action legislation globally, as well as in the Nordics, is also important so as not to miss out on any rightful reimbursement from investments in non-domiciled stock.

A Goal Group study forecasts that by the end of the decade, $2.02 billion of investors' rightful returns will be left unreclaimed each year. Therefore, while it has been suggested that adopting an 'opt-out' provision in general could encourage increased uptake of class actions, there is no excuse for failing to monitor and participate in class actions internationally as there are a number of services commercially available that minimise the complexity and cost of this activity.

Pat Bingham-Peters
Director of sales and relationship management for EMEA
Goal Group

Industry appointments

ConvergEx Group, a provider of global brokerage and trading-related services, is expanding its institutional clearing business.

As a first phase of growing the business, ConvergEx has recently completed the build out of its equities finance desk.

Its additional capabilities now include a more robust conduit book; collateral optimisation through more extensive securities lending; and offering third-party and in-house locates.

The build out of the institutional clearing business is being overseen by new hire **Carmen Sturm**, the managing director of sell-side services.

Sturm comes to ConvergEx from SunGard where she spent the last 13 years.

Sturm reports to Barclay Frey, managing director and co-head of sell-Side Services at ConvergEx Group.

To manage the day-to-day operations of the new services, the following individuals have joined the equities finance desk. All will report to Sturm.

John Nacincik is the new senior vice president and head of the ConvergEx equities finance desk.

Nacincik comes to ConvergEx from Knight Capital. Prior to that, he spent 24 years at UBS and five years at SunGard where he set up their equities finance solution, including a locates business.

Karen deStefani has been appointed as vice president. For five years at SunGard, deStefani ran its large conduit book and supported the locates business. She was also with UBS for 20 years running their conduit book and ADR/ETF securities lending businesses.

Darryl Cooke is another vice president. Cooke's experience includes more than 15 years at firms such as Charles Schwab and UBS in securities lending operations as well as Knight and SunGard where he spent four years at the latter in equities finance sales.

Michael Collins has joined TradeStation Prime Services as head of prime brokerage sales.

As head of prime brokerage sales, Collins will be responsible for continuing to build TradeStation's offering, with a focus on emerging managers and small to mid-sized established hedge funds.

He will be based in New York and will report to Sackett.

Collins comes to TradeStation from Citigroup, where he was most recently a director of prime finance sales within Citi Global Markets.

He spent 10 years at Citi within prime finance and previously worked on the institutional equity sales desk at Morgan Stanley.

Dion Global Solutions has appointed **Robin Preston** as European head of strategic partners and alliances.

In his new role Preston will develop key partnerships to support Dion's growing international technology demand across Europe's buy and sell side markets.

Dion provides solutions across investment, retail and commercial banking, institutional trading and investment and private client wealth management and stockbroking.

Prior to joining Dion, Preston worked for risk management vendor Reval, where he was responsible for new business development across Europe, the Middle East and Africa (EMEA).

Len Karpf has joined RIMES as director of product development. RIMES provides financial data services to the buy-side.

Karpf will be responsible for working with RIMES' product management and development teams to bring new data management products to the market.

He will be based in New York, reporting to Frederic Mancuso, chief technology officer, and joins RIMES from Relationship Capital Partners, where he was vice president of products and technology.

Company founder **John Byrne** is to move to a new role of non-executive vice chairman and will step down as CEO of Information Mosaic.

Current chairman Ulrich Kunz will take on the role of interim CEO and be supported by the executive management team of Philip Hogan chief revenue officer, chief operating officer Rene Keller, and chief financial officer Anina Janacek.

Byrne founded the company in Dublin 16 years ago and has grown Information Mosaic in the areas of post-trade corporate actions and analytics.

The firm handles more than half of the world's corporate actions by volume.

The Conifer Group, a provider of fund administration, middle office, trading and prime brokerage services to the hedge fund industry, announced several new hires in the firm's New York office.

It has added **Drew Burggraf** as vice president and team leader for the New York prime brokerage team and hired **Jarod Riley** as vice president and **Kyle Vedder** as client services representative for their middle- and back-office services business.

Conifer has also brought on **Pamela Fong** as a shareholder services professional on the fund administration team in New York.

Before joining Conifer, Burggraf was an executive director of prime brokerage services at UBS and a senior collateral manager at Morgan Stanley. **AST**

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