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Fragmented South African fund processing to fix up and look sharp

Strate and Euroclear have signed a letter of intent to fix the currently fragmented processing of mutual fund transactions in South Africa.

The initiative aims to establish a fully electronic environment for the industry and investors in local funds.

The current administrative processes associated with the South African mutual fund industry are disjointed, with no automated way to link cash payments with fund unit orders in a low-risk environment.

Through the collaborative initiative with Euroclear, Strate are looking to work with the local industry to explore the implementation of an electronic and centrally hosted mutual fund settlement and custody platform for the South African market.

Strate and Euroclear will also investigate options to centralise record-keeping as well as create added benefits by improving settlement and payment efficiencies.

The core element of the intended initiative is the provision of a platform where mutual fund transactions are processed on an automated basis from order routing to settlement and asset servicing.

This end-to-end solution aims to be sufficiently robust and resilient to serve as an infrastructure for both domestic and international market participants, with settlement conducted in central bank money for South African investors.

According to Monica Singer, Strate's CEO, there are inefficiencies and riskst in the mutual fund industry. "The fund unit and cash components of mutual fund subscriptions and redemptions in the South African market are credited or debited several days after cash has been received for settlement."

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Northern Trust hires Slater to head new Riyadh office

Northern Trust is expanding its global footprint with the opening of an office in Saudi Arabia's capital, Riyadh.

Northern Trust has been providing asset management and servicing to clients across the Middle East since 1987. In addition to the office in the Kingdom of Saudi Arabia, Northern Trust also has an office in Abu Dhabi, United Arab Emirates.

"We are excited to expand our presence in the dynamic Middle East region with a new office in [Saudi Arabia], especially at a time when [its] economy is growing and diversifying," Northern Trust chairman and CEO Frederick Waddell said.

"[Saudi Arabia] has the largest economy of the six Gulf co-operation council countries, making it strategically important not just to Northern Trust, but also to our clients operating from and doing business there."

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State Street grabs large US insurance mandate

State Street has been appointed by EMC Insurance Companies to provide full custody and investment analytics services. EMC is one of the top insurance organisations in the US.

"After an extensive review of several custody and administration service providers, we selected State Street because of its expertise in custody, accounting and reporting solutions," said Lisa Stange, vice president and chief investment officer of EMC Insurance Companies.

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Fragmented South African fund processing to fix up and look sharp

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"We will investigate how Strate can improve this process, potentially centralising fund ownership registration and delivering a safer and more efficient means to enable our local fund industry to grow."

She added that the next steps to be taken include engaging with local stakeholders to define the required functionalities as well as the timing for implementation.

Lieve Mostrey, chief technology and services officer at Euroclear, said: "Sharing our decades of experience in fund processing for domestic and cross-border transactions with Strate and its clients is an efficient and cost-effective way to add value to an important emerging fund market."

"As we begin a new partnership with Strate, the South African market can be sure that the primary objective of our collaboration is to deliver greater operational efficiencies while reducing risk. We also envisage that this initiative will attract other markets to share the same technology in order to achieve economies of scale for their fund markets."

Northern Trust hires Slater to head up new Riyadh office

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Michael Slater has been named head of Northern Trust's new office and is based in Riyadh. His responsibilities include overall management of the office and leading the development of key strategic relationships with prospective and existing clients in Saudi Arabia, such as sovereign wealth funds, central banks, pension funds, asset managers, other institutional investors, and wealthy families.

Slater joined Northern Trust in 2005 to lead asset servicing business development in the Middle East. In 2008, he was appointed head of Northern Trust's Abu Dhabi office. In his new role, he will continue to report to Sheldon Woldt, head of Northern Trust in the Middle East.

"Northern Trust brings experience in serving sophisticated institutional and high net worth investors, a long, proven track record of doing business on a global scale and more than 25 years of working closely with Middle East clients," said Woldt.

"Having a presence in [Saudi Arabia] is in line with our commitment to serve our clients as close to their home market as possible. With our more than 120-year heritage of service, expertise and integrity, our presence in Riyadh positions Northern Trust to continue to deliver solutions and services that best meet the evolving requirements of the region's sophisticated investors."

State Street grabs large US insurance mandate

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"We were looking for a provider committed to developing solutions that will address our growth needs and support our investment strategies."

"We are extremely pleased to be selected by EMC Insurance Companies," said Alan Greene, executive vice president of State Street.

"As insurers look to meet new reporting and regulation challenges as well as update disparate legacy systems, they need to evaluate how their firms are operating within an evolving market. Determining whether they have the right infrastructure in place or looking to outsource to external parties to help satisfy all these new requirements are important considerations. A recent study on the challenges and opportunities facing the insurance sector highlighted these concerns."

State Street's study surveyed more than 300 insurance executives, focussing on the key industry issues facing the insurance industry and their preparedness to meet those challenges. The study, Facing the Future: Blueprint for Growth, highlights three broad categories affecting the insurance industry that include risk, regulation and the restructuring of product offerings.

Commerzbank and Clearstream launch TradeCycle

Clearstream and Commerzbank have partnered to launch TradeCycle, offering clients seamless processing on cleared and uncleared OTC derivative transactions.

The joint offering will provide clients access to an integrated management solution for the OTC derivative trade lifecycle, ranging from trading to clearing, settlement to custody.

TradeCycle will also enable clients to minimise operational inefficiencies, funding costs, enhance yield and improve their risk management as well as being prepared for future regulatory requirements.

Nikolaus Giesbert, divisional board member for fixed income and currencies at Commerzbank Corporates and Markets, said: "Regulatory requirements increase the complexity in the day to day business of financial institutions and corporates and there is growing demand for streamlined services."

"Clients with too many vendors engaged in OTC derivative transactions risk significantly higher funding expenses. Our holistic TradeCycle solution and effective collateral management strategies reduce operational inefficiencies and costs."

Stefan Lepp, member of the executive board and head of global securities financing at

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Clearstream, added: "For the first time, a bank and an independent infrastructure provider are partnering to offer an end-to-end derivatives solution for the industry."

"The offering is tailor-made, aimed at tackling market inefficiencies, saving funding costs and reducing overhead costs. Such partnership models allow us to meet the needs of the market participants in a very short time-to-market. TradeCycle will provide significant relief to our mutual clients in light of the upcoming regulatory challenge."

Tradecycle will be launched by the end of this year.

Consultants outperforming fund of hedge funds

Investment consultants oversee approximately $830 billion of the assets invested in hedge funds, a new study has revealed.

The Barclays Prime Finance study, Battle for the Middle: the Evolving Landscape and Value Proposition of FoHFs and Consultants, found that investment consultants and fund of hedge funds oversee more than $1.5 trillion of asset flow from investors to hedge fund managers.

Some $700 billion of assets go through fund of hedge funds, but their average AUM has decreased 5 percent since 2010, while investment consultants' AUA increased 30 percent.

The investment consultant industry has a "quasi-oligopolistic market structure with one player having a particularly strong market position", said the study. Albourne Partners has a 35 percent share of the investment consultant market, according to the study. It has $288 billion in hedge fund AUA.

"While most oligopolies enjoy fairly strong pricing power, the pricing power of hedge fund investment consultants is constrained due to (1) Albourne's fixed fee model, and (2) services offered by investment consultants increasingly becoming commoditised. Most top hedge fund consultants appear to be fairly similar in their hedge fund investment philosophy and approach (they do differ, however, in their organisation structure and distribution models)."

The study said that investment consultants need to "proactively address certain stumbling blocks", including building a credible track record of making and managing investments, establishing appropriate information barriers between the advisory and discretionary businesses, and recruiting quality talent.

Fund of hedge funds have been "under stress for some time", according to the study. In response, they "have adopted changes on a number of fronts to stay relevant and competitive."

These include offering lower volatility and more diversification than single managers, and reducing average fees on single client vehicles, from the traditional 1/10 model to 80 basis points/5 percent.

The Barclays study added that fund of hedge funds can go further. "By our estimates, even at a 60bps/5 percent fee structure, large fund of hedge funds still can maintain relatively healthy margins (35 percent+)."

During the next 18 to 24 months, the Barclays study predicted that the investment consultant fee pool will grow 15 percent to $1.6 billion, while fund of hedge funds' will shrink 10 percent to $5 billion.

"Despite all the challenges, we expect that fund of hedge funds will not all be impacted adversely—select [entities], particularly the large ones, will fare better in the face of industry headwinds."

Eurex aims for the Dutch buy side

Eurex Clearing has added another member to its interest rate swaps service, bringing the number of members up to 16.

KAS Bank NV, based in Amsterdam, is the new member of EurexOTC Clear for interest rate swaps (IRS). The Dutch bank aims to execute self-clearing transactions as a first step.

"The admission of KAS Bank NV further increases the attractiveness and distribution of the EurexOTC Clear IRS service to Dutch buy-side firms," said a statement from the firm.

The service was launched in November 2012, offering integrated clearing and collateralisation of

OTC transactions and listed derivatives in a single clearinghouse and under one legal framework.

"Eurex Clearing's members and their clients benefit from capital efficiency via portfolio margining of listed and OTC transactions alike (cross-margining) as well as a wide range of eligible collateral compared to other CCPs," continued the statement.

"There are also a variety of segregation solutions, including an individual clearing model that offers maximum protection of client assets and full portability of their positions and collateral."

Standard Chartered is treasury advisor for Axiata

Standard Chartered has been appointed as the lead treasury advisor for the setup of Axiata Group Berhad regional treasury management centre.

Axiata is one of Asia's largest telecommunications companies with operations in nine Asian countries including Indonesia, India and Singapore. Axiata decided to centralise all its treasury activities in various operating countries.

Standard Chartered supported Axiata by providing guidance and facilitating a disciplined process in centralising its treasury activities in various operating countries to achieve cash management efficiency, capital optimisation and risk management.

Jiten Arora, global head of sales, transaction banking at Standard Chartered, said: "We are delighted to be supporting Axiata in building a RTMC and strengthening their internal treasury processes. We see increasing number of fast-growing Asian corporates find it compelling to set up a RTMC to support their growth agenda in the region and beyond."

"The treasury centralisation and automation across the group means improved working capital management efficiency and it will ultimately help sharpen its business competitiveness."

Citi offers Russian algorithms

Citi will begin offering clients algorithmic trading and direct market access (DMA) to securities traded on the Moscow Exchange.

The ability to offer direct market access to securities on the Moscow Exchange has been facilitated by a number of recent market structure developments. The exchange has migrated to T+2 trade settlement and has established central clearing as well as a centralised trade depository.

"We are delighted to be able to bring electronic trading and DMA on the Moscow Exchange to our clients," said Andrew Thompson, Citi's EMEA head of equities.

"The exchange has recently introduced a series of structural enhancements that have significantly improved the trading and settlement process in this market. We have been thoroughly preparing our platform for these changes and are pleased to be one of the first brokers to offer electronic trading on this venue to clients."

Andrey Shemetov, deputy CEO of Moscow Exchange, said: "Our migration to T+2 marks a new phase of Moscow's integration into the group of the main global financial centres."

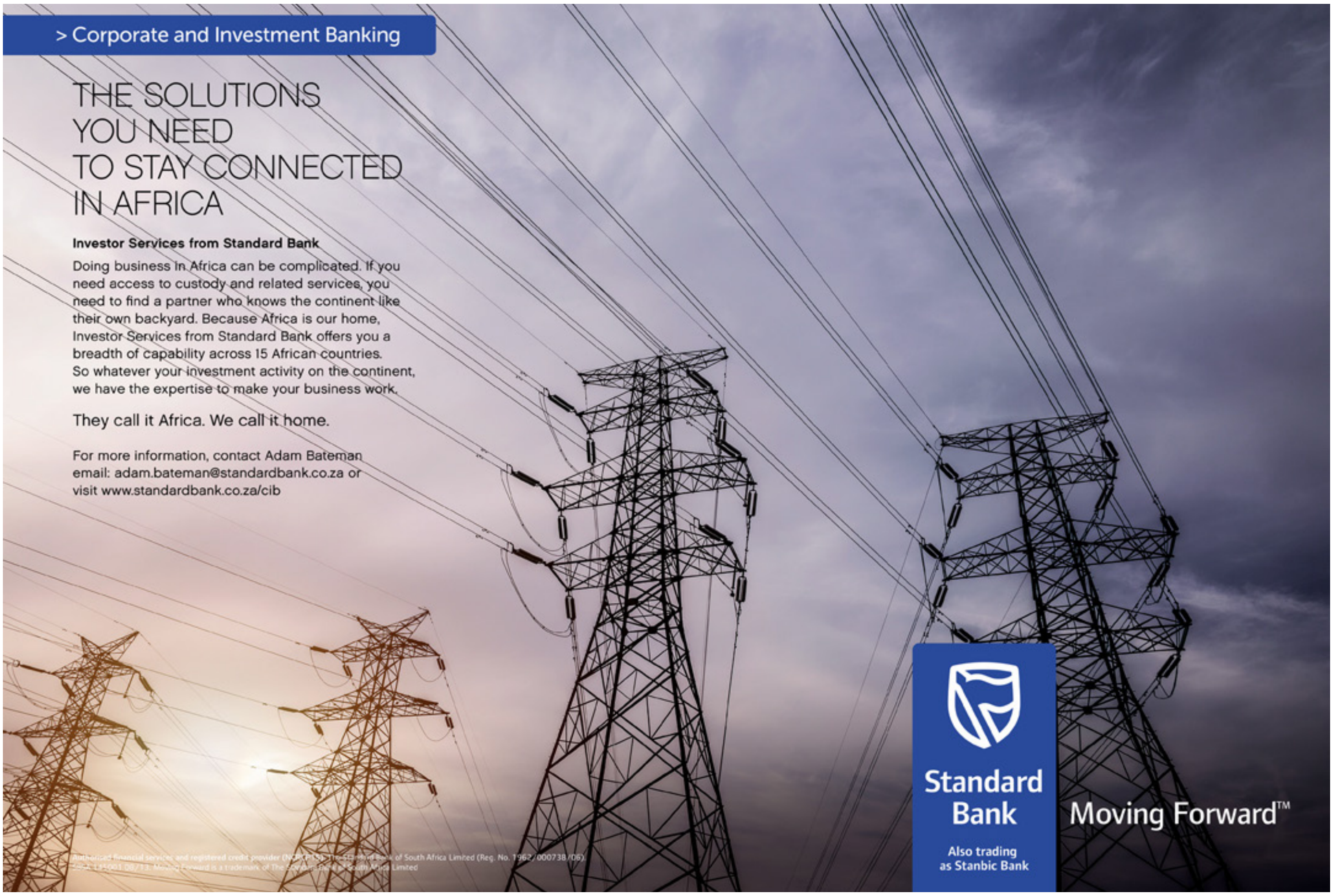
"Investors from around the world can now trade Russian assets directly in a more convenient way. As we look ahead our key objectives are to further modernise our infrastructure, broaden our product offering and increase liquidity across our markets".

Citi Russia has local investment banking capabilities and integrated equity brokerage operations.

Whiz Partners launches fund with Citi's aid

The Japanese investment and asset management firm Whiz Partners has mandated Citi to support fund administration and transfer agency services for its new fund.

The fund is named Whiz Rock Global Macro Investment Fund. It is newly launched in Asia, and



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marks the firm's first foray into the hedge fund space in Asia.

"This mandate signifies the beginning of a long-term collaboration between Whiz and Citi in Asia," said David Russell, Asia Pacific regional head for Citi's securities and fund services.

"Increasingly, investment alpha is becoming predicated on operational alpha. Citi's solid local capabilities and robust service platforms enable managers like Whiz to become more nimble and expand their business globally."

Polish CSD has a change of name

The Polish central securities depository KDPW has been assigned a prefix, which is necessary to assign identifiers to legal entities.

The prefix has been assigned by the Regulatory Oversight Committee secretariat, and will identify codes assigned by KDPW in the global legal entity identifier system.

Under the European Market Infrastructure Regulation (EMIR), all legal entities which trade in derivatives will be required to report trades to trade repositories.

In order to enable the identification of counterparties to derivatives trades, beneficiaries of derivatives trades, central counterparties, clearing members and brokers of derivatives trades, they need to be assigned a relevant unique identifier.

KDPW is the only institution on the Polish market authorised to assign unique global identifiers to financial instruments in public trading.

T2S could be Europe's saviour

TARGET2-Securities (T2S) has the potential to reduce capital shortfall under Basel III rules by €33 billion, said a Clearstream survey.

These capital savings would be via reduced liquidity consumption, according to a study undertaken by Clearstream and Pricewaterhouse-Coopers (PwC) that has now been released.

Additional T2S benefits identified are reduced risk in the custody chain and enhanced collateral mobility to meet other new regulatory requirements designed to make the financial services sector more robust.

These benefits would be on top of the efficiency gains and cost savings associated with lower settlement fees and harmonised post-trade processes already expected from the introduction of T2S.

The capital savings could be unlocked thanks to the opportunity to pool cash accounts in T2S. Pooled cash accounts would enable participants to centralise and net off cash payment obligations associated with their settlement activity in all T2S participating markets.

A bottom-up analysis by Clearstream of millions of cross-border settlements in Germany, France, the Netherlands, Belgium and Italy showed that pooling cash settlement into a single account would reduce Clearstream's own liquidity requirements by a daily average of 15 percent during peak settlement periods.

Transposing this to the broader settlement volumes in the eurozone would translate into an estimated €33 billion of Tier 1 capital savings outlined in Basel III rules for all eurozone banks.

Philip Brown, head of client relations for Europe and Americas and member of the executive board of Clearstream, said: "Our study shows … another example of the opportunities that T2S will bring if the market pulls together and mobilises around it. The potential relief on participants' capital requirements should be a key trigger to gear up to T2S which, ultimately, will also make the market more robust."

Thorsten Gommel, partner at PwC's financial services consulting division in Frankfurt, said: "Despite being prepared for so many years and relatively shortly before going live, this is the first study that quantifies the benefits of TARGET2-Securities for Eurozone banks by putting it into the context of the broader regulatory agenda. Defining the right network strategy will substantially reduce liquidity consumption and capital needs."

SGSS helps equity broker move house

Societe Generale Securities Services (SGSS) has completed the transfer of global back-office related activities from Cheuvreux to Kepler Cheuvreux.

This transfer was launched following SGSS' mandate win from Kepler Capital Markets in November 2012, as part of the latter's acquisition of Crédit Agricole Cheuvreux.

SGSS was retained to provide a complete customised clearing and settlement solution capable of handling high volumes of transactions for the whole of Kepler Cheuvreux's equity business worldwide. The transfer process involved integrating both the institutional and retail activities, which were migrated in six months.

Under the terms of the mandate, SGSS provides clearing and settlement services in 29 markets worldwide.

Kepler Capital Markets is a European financial services company specialised in advisory services and intermediation to the investment management industry.

Founded in Paris in July 1997 as the equity brokerage business of Bank Julius Baer, the Swiss private bank has since diversified its activities. The company is now centred on four specialist activities: equities, debt and credit, investment solutions, and corporate finance.

Headquartered in Paris, the group employs around 500 staff. The company is also present in Amsterdam, Boston, Frankfurt, Geneva, London, Madrid, Milan, New York, San Francisco, Stockholm, Vienna and Zurich.

In May, Kepler Capital Markets announced the closing of its agreement with Crédit Agricole Cheuvreux to buy the whole of its activity in order to create Kepler Cheuvreux and become one of the principal equity brokers in Europe.

NAB Asset Servicing shakes hands again with UBS

National Australia Bank's Asset Servicing business has been re-appointed to provide custodial services to fund manager client UBS Global Asset Management in Australia for a further three years.

NAB Asset Servicing has provided custodial support and services to UBS Global Asset Management in Australia since 2004.

Christine Bartlett, executive general manager of NAB Asset Servicing, said: "NAB's service and relationship model provides a good basis with which we can support UBS to achieve their business goals now and into the future, through tailored solutions."

Ben Heap, managing director and head of Australia and New Zealand at UBS, said the suite of services offered by NAB Asset Servicing fitted the requirements of UBS, particularly given all decisions are made locally.

Eurex Clearing adds one more to clearing service

Eurex Clearing has welcomed Deutsche Zentral-Genossenschaftsbank, Frankfurt/Main (DZ BANK) as a new member of EurexOTC Clear for Interest Rate Swaps.

The number of clearing members on EurexOTC Clear increases to 15. In addition to serving affiliates, DZ BANK will offer its services to other interested clients as well.

"Participation in EurexOTC Clear is a strategic decision for DZ BANK. With Eurex Clearing's services, we can also expand and enhance our range of services as a clearing broker for banks and institutional clients," commented Lars Hille, member of the board of managing directors of DZ BANK.

"We are very pleased to welcome DZ BANK AG as a new user of our EurexOTC Clear offering, as this Volksbanken Raiffeisenbanken cooperative financial network is an important pillar in the German banking system. This confirms the attractiveness of our offering," added Thomas Book, CEO of Eurex Clearing.

EurexOTC Clear for Interest Rate Swaps was launched in November 2012, and offers fully integrated clearing and collateralisation of OTC transactions and listed derivatives in a single clearinghouse and under one legal framework.

EMIR regulation causes matching updates

SWIFT's affirmations application is supporting compliance with European Market Infrastructure Regulation (EMIR) by making multi-asset class electronic confirmation matching accessible to players of all sizes.

"Currently, many foreign exchange (FX), money market (MM), derivative and commodities transactions are confirmed by email or fax, or not confirmed at all," said a statement from the firm.

"The operational and settlement risks introduced by this manual process are unacceptable in today's environment, and the regulators want to see them eliminated."

Article 11 of EMIR (in force since March this year) is concerned with risk mitigation for non-centrally cleared OTC derivatives, and requires "the timely confirmation, where available, by electronic means, of the terms of the relevant OTC derivative contract".

In light of EMIR, there is a clear need to ensure all client trades are confirmed with an electronic audit trail.

Paul Taylor, director of global matching at SWIFT, said: "Under the terms of EMIR, investment banks need to automate the processing of confirmations not just with their market side counterparty brokers, but also with their investment manager and corporate buy-side clients."

"SWIFT's Affirmations solution, implemented in conjunction with Alliance Lite2 and Accord, serves the requirements of both sell and buy side firms and makes automating treasury confirmations easy and cost-effective for all market participants. Connection via Alliance Lite2 also presents underlying clients with the opportunity to use all the other services SWIFT has on offer."

Slovenian CSD chooses SWIFT

The Slovenian central securities depository KDD will use SWIFT's value added network solution to connect to TARGET2-Securities (T2S).

KDD Central Securities Clearing Corporation is also taking advantage of further value-added services from SWIFT. It plans to go live on T2S connecting via the SWIFT network in February 2017.

Rok Šketa, executive vice president of systems and technology at KDD Central Securities Clearing Corporation, said: "We are confident that SWIFT is the right T2S connectivity solution for us, bringing unmatched benefits in terms of resilience, price, proven infrastructure and re-use of expertise, and we look forward to working closely with SWIFT to implement its solution to meet our specific needs."

Alain Raes, chief executive of EMEA, SWIFT, said: "We are delighted that KDD Central Securities Clearing Corporation has decided to leverage SWIFT to connect to T2S, and we thank KDD Central Securities Clearing Corporation for its confidence that SWIFT's is the most reliable, cost effective and strategic solution for T2S connectivity."

ILS Fund Services sees good client growth

A Bermudan fund administrator has announced a client base exceeding $1 billion in assets under administration.

ILS Fund Services, which provides fund administration and valuation services to funds that invest in insurance linked securities, said that its client base has exceeded $1 billion in AuA only 18 months after the company began operations.

"We are delighted that the services ILS are providing funds that invest in this niche asset class have been well received by the community," said Andre Perez, director of ILS Fund Services.

"Our assets under administration have grown incredibly quickly over the past 18 months and we are optimistic that they will double in the next year.

"It proves that the model we set up, a fund administrator with deep understanding of reinsurance transactions and valuation works and is being extremely well received by fund managers and investors alike."

ILS's client base consists of global institutional investment managers that invest in catastrophe bonds, ILWs, sidecars, collateralised reinsurance and other insurance linked derivatives through Bermuda registered investment companies.

Bermuda has emerged as a strong competitor in the insurance linked securities space, due to a flexible regulatory environment.

In Q1 2013, 8 out of 13 new insurers registered in Bermuda were special purpose insurers (SPIs) with total premiums of over $93 million.

This included three SPIs underwriting more than $1 billion of catastrophe bonds and insurance linked securities.

Chapman's Eye on the market

It's good to talk?

As Winston Churchill (for the nippers out there, the UK's wartime leader 1939-1945) once famously said, "jaw jaw is better than war war". And our industry, thankfully, has taken that motto to heart—commissions, discussion groups, working parties, conferences and informal gatherings abound, from city pubs after work to SIBOS to the network managers' Williams event, all serve to facilitate the sharing of information, guidance, gossip and news to interested parties.

One has to hope that as a result of all of this interaction, transparency is increased, better-researched conclusions are arrived at and more decisive action is taken.

But is it? One result of this discussion-fest is the alphabet soup of acronyms, which, like the never-ending porridge pot of fable, continue to pour forth in a never-ending stream. Some spring up then fade away into distant memories—Taurus, GSTPA, FIMBRA, etc—and some look like they're here to stay in various forms; the various Basel accords, Solvency II, FCA and AIFMD, to name but a few.

Is it possible to think that both organisations and individuals set out to create this unnecessarily complex and obfuscatory cloud to either self-aggrandise or perhaps cover up a lack of real knowledge? (Ed—is that what you're doing now Paul?)

Additionally, as trying to garner information from the internet has been likened to getting a cup of water from a waterfall, one must be conscious of not talking merely for talking's sake, or for over-complicating matters—as all good golfers know, it is very easy to 'over-think' a problem rather than taking decisive, gut-feel action, and the opportunity cost of prevarication can be high.

Very little of what goes on in our business is rocket science, and (to keep up our quota of quotes for this week), as Elvis Presley once said "a little less conversation, a little more action please" may be something to bear in the minds of committee chairpersons.

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

Paul Chapman, managing director, HornbyChapman Ltd

Behind the backlash

A recent discussion with BNP Paribas Securities Services illustrates how 'big data' may be more than a buzzword. AST finds out more

GEORGINA LAVERS REPORTS

There has been a backlash towards 'big data'—with the term conjuring up a vision of companies mining customers for information, and ignoring their privacy in the meantime.

Aside from confidentiality concerns, there are also worries around using data to make decisions. Opponents to the idea of intense data analysis argue that data is not emotive enough, doesn't take into account social relationships, and struggles with conceptual ideas.

Nassim Taleb, the author of Antifragile, has said that the more data found, the more correlations are found, and mistakenly perceived as meaningful.

But Andrew Butler, co-head of asset and fund services in the UK for BNP Paribas Securities Services, stated in a recent meeting that while the term may be a buzzword, its application has significant opportunities for both custodian banks, and their asset manager or institutional investor customer base.

"[Big data] is an industry buzzword, but what it's referring to is the increasingly huge amount of increasingly complex data that's available. ninety percent of all data stored all in the world today was made in the last two years, and 80 percent of the world's data is unstructured, by which I mean that it is not held in a company's databases."

He quoted the McKinsey Quarterly, which said that companies that use data and business analytics to guide decision making are more productive than firms that don't.

A recent article from McKinsey also said that big data require investment, measured both in money and management commitment, and can be a mammoth project.

"CIOs stress the need to remake data architectures and applications totally. Outside vendors hawk the power of black-box models to crunch through unstructured data in search of cause-and-effect relationships. Business managers scratch their heads—while insisting that they must know, upfront, the payoff from the spending and from the potentially disruptive organisational changes."

From a leg-up to the forefront

Initially, said Butler, data used in financial services was exploited by large, technologically savvy investment banks; looking to one-up their competitors. They looked at small price differentials across markets and news events, hoping that data would give them a fraction of a second advantage over their rivals.

As for what that means practically for the asset management industry—which historically has fewer resources than the investment banks—Butler said that the challenge is creating the ability to access, understand and manipulate huge volumes of data from a wide range of sources.

"Data on its own is meaningless—it only becomes useful once you do something with it. As a custodian, we hold a huge amount of a client's data. Combining that with our ability to go out and search for the 90 percent of data outside of the infrastructure database allows us to help our clients pursue their goals of managing and growing their business effectively."

Maintaining client confidence is another vital aspect to any data provision offered by a bank, particularly seeing as asset managers have suffered from the same sort of bad press that has plagued investment banks.

As well as this, generating new revenue is vital for both asset manager and custodian bank, as Butler illustrated.

"We are investing heavily in data, and in many cases looking to recover some of the lost revenues around custody. Some of the traditional revenues and ancillary revenues around FX, securities lending, etc, are under increasingly stringent focus from regulators, which is leaving a gap."

But while a number of organisations are seeking to effectively 'sell' data, Butler said that BNP Paribas takes a less cost-focused approach.

"There are some direct costs associated from licensing and maintenance, but actually they are not material. We see many other benefits of providing that data in a useful way."

In developing solutions, Butler added that a client-focussed approach was the only way forward.

"We are using a much more fluid and dynamic way of working. The days of sitting in a laboratory with a screwdriver and working out where you can sell your product are long gone. It is absolutely essential that you are close to the clients, right from the design phase. Clients are providing the agenda." AST

Up in the air

A rising global and local market is good news for Australia's custody sector

GEORGINA LAVERS REPORTS

The first half of 2013 proved bright for Australia's custodians. The Australian Custodial Services Association (ACSA) released its half yearly industry statistics, showing continued growth in Australia's custodian and administration sector.

The latest research from ACSA—the industry body for Australia's custody and asset administration sector—revealed total assets under custody for Australian investors grew by 6.7 percent to $2.16 trillion for the first half of the year to 30 June 2013.

Every major player in the custody market saw an increase in assets under custody during the six months, largely driven by a rising global and local market.

Helped by the falling Australian dollar and rising global equity markets, the period also saw continued strong growth for non-Australian assets under custody for Australian investors (up 10.2 percent to just over $600 billion), with Australian assets under custody for Australian investors also rising strongly (up 5.5 percent to $1.56 trillion).

Australian assets under custody for foreign clients (sub custody) rose only 0.1 percent; reflecting slowing foreign appetite for Australian assets as the commodity boom slowed and interest rates were cut to historic lows. The statistics largely reflect Australia's growing superannuation and institutional investment base.

Player breakdown

Local player NAB Asset Servicing retained its position as the largest overall player with $556 billion in total assets under custody for Australian investors (up 2.2 percent for the six months), followed by J.P. Morgan ($394 billion, up 5 percent) and BNP Paribas ($313 billion, up 5.7 percent).

National Australia Bank's asset servicing business was recently re-appointed to provide custodial services to fund manager client UBS Global Asset Management in Australia for a further three years.

In June, the Australian Bank and BNY Mellon announced that they would strengthen a 20-year alliance and offer additional support to customers of both firms, as well as the opportunity to introduce an expanded suite of products and services. BNY Mellon is NAB's primary global custodian for offshore assets, and NAB is BNY Mellon's primary sub-custodian for Australian and New Zealand assets.

Citigroup recorded a 21 percent increase in total assets under custody to $213 billion, reaching 10 percent in market share.

The other big mover over the past six months was Bond Street, with asset growth up 31 percent to $63.7 billion.

Total local assets held under custody increased by 5.5 percent over the past six months with NAB Asset Servicing, BNP Paribas and J.P. Morgan the leading holders of Australian assets under custody.

J.P. Morgan remains the largest custodian of non-Australian assets for Australian investors ($137 billion, up 25.8 percent), followed by State Street ($87 billion, up 2.8 percent) and NAB Asset Servicing ($86 billion, up 15.8 percent).

HSBC Bank remains the dominant sub-custodian in Australia with $576 billion in sub-custody assets.

Assets held under administration, rather than held in custody, were up 14.5 percent to $245 billion. BNP Paribas took top spot as the largest administrator in Australia with $407 billion in assets under administration, followed by NAB Asset Servicing ($369 billion) and State Street ($208 billion). **AST**

A boost in non-US settlements will place huge pressure on Asia-Pacific fiduciaries

The Morrison v. National Australia Bank securities class action case in 2010 prompted a huge blow for litigants when the US Supreme Court ruled against what have become known as f-cubed actions. F-cubed actions involve a non-US shareholder suing a non-US company whose stock was purchased on a non-US exchange, and who is bringing a case in a US court.

This restriction by the US federal courts has prompted a growing desire to develop domestic class actions procedures in many countries around the globe. Australia has firmly established itself as a hub for securities class actions cases in the Asia Pacific region with landmark settlements being reached, arguably stimulated by the global financial crisis. Conditions such as a falling securities market, companies finding themselves in unforeseen difficulties, and law firms focusing on securities class actions as a significant business opportunity following legislative reform to personal injury practices, provided a fertile breeding ground for securities class actions to escalate in Australia.

Goal Group's Recovery Responsibility study calculated that non-US settlements will reach $8.3 billion annually by 2020, and it is believed that the Asia-Pacific region will be responsible for $3.435 billion of this figure. Such a boost places huge pressure on fiduciaries, as experience in the US shows they may be sued if they do not ensure investors participate in class actions.

Two thousand and twelve proved to be a record-breaking year for Australian settlements as Centro Retail Australia and PricewaterhouseCoopers agreed to pay AUD $200 million to its shareholders. It was found that shareholders were misled by company statements in 2007 that failed to disclose its debt levels. This settlement followed the 2008 Aristocrat Leisure Limited class action where the Federal Court of Australia approved an AUD $144.5 million settlement—the largest class action settlement in Australian legal history at that time.

Securities class actions are now an established part of the Australian legal landscape. It is said that Australia is now the most likely jurisdiction outside of the US in which a corporation will face class action litigation. Such huge settlement figures are proving that participation in class action cases is worthwhile and service providers are now providing a cost-effective service, undermining the old belief that participation is extremely costly and time consuming for participants.

Andreas Costi
director of sales and relationship management for Australia and New Zealand, Goal Group

Industry appointments

The central bank of governors of the global economy meeting has appointed **Benoît Cœuré** as chairman of the Committee of Payment and Settlement Systems (CPSS).

The CPSS is a central bank forum that contributes to strengthening financial markets by promoting efficient payment, clearing and settlement systems.

The appointment is for a term of three years and he succeeds Paul Tucker, deputy governor of financial stability at the Bank of England, who has been CPSS chairman since April 2012.

Cœuré has been a member of the European Central Bank's (ECB) executive board since January 2012 and has responsibility for payments and market infrastructure, market operations and economic research.

Before going to the ECB he was deputy director general of the French Treasury. He has also been the chief executive of the French debt management office, Agence France Trésor.

State Street Global Markets has appointed **Steve Webster** as head of business development and relationship management for its portfolio solutions business in Europe, Middle East and Africa.

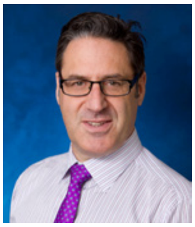
Webster joins from Credit Suisse Securities where he was head of transition management in EMEA.

In this role, Webster will be responsible for managing the portfolio solutions' business development, supporting new business, relationship management and client service.

He will also manage a team of investment professionals covering transition management and exposure solutions, State Street's interim management services.

He will report to John Minderides, head of EMEA portfolio solutions and Peter Weiner, global head of portfolio solutions business development.

Standard Chartered has crafted a global treasury solutions team who will provide best practice treasury advice and deliver global and regional cash management solutions tailored to clients' needs.



Effective immediately, **Victor Penna** has been appointed as head of the team within Standard Charterd's transaction banking business. Based in Singapore, he will report to Jiten Arora, global head of sales, transaction banking.

Most recently, Penna was managing director and regional head of J.P. Morgan's treasury solutions team in Asia Pacific.

The rest of the team are as follows:

Philippe Tian will be a treasury solutions adviser, covering China and Taiwan and based in Shanghai. Prior to joining the bank, Tian was treasury director for GE China and a senior manager within PWC's treasury consulting unit.

Brian Leung has been appointed to the same role, but will cover Hong Kong, Korea and Japan, and will be based in Hong Kong. Prior to this, he served as group treasurer for Haier and regional treasurer for Lucent.

Byron Gardiner will be treasury solutions adviser, covering South East Asia and based in Singapore.

Lastly, **Olle Malmgren** will be the treasury solutions adviser covering the Middle East and Africa and based in Dubai.

Class actions specialist Goal Group has appointed **David Gilbert** as global business development manager and **Tania Dupoy** as sales and relationship manager.

They will both be based in Goal's London office.

Gilbert has more than 20 years of experience, which he mainly spent within the financial information industry. His most recent position was as regional sales director at Interactive Data, a provider of financial market data, analytics, and related solutions to financial institutions.

Various positions have led Gilbert to gain experience in generating sales and revenue, and management. He will be closely involved in the implementation of Goal's new feature to enhance its global securities class actions outsourcing service.

Dupoy's career to date has mostly been spent as a senior consultant for both Merrill Lynch and Fidelity, specialising in global corporate actions.

She previously worked for Standard and Poor's as a project manager for the structured finance centre of excellence, focusing on mortgage-backed securities, and she has also worked for the UK's largest daily travel deal site as a national sales and relationship manager.

In a recent spate of hires, ConvergEx Group announced that it has named **Gary Ardell** as chief information officer. With this appointment, Ardell joins the company's executive committee.

He continues to serve in his previous positions as head of business strategy development and head of the financial engineering and advanced trading solutions unit.

Prior to joining ConvergEx Group in 2006, Ardell served as the head of financial engineering at Fidelity Capital Markets. This group developed Fidelity's algorithmic trading products as well as operating one of the largest automated equity market making operations in the US. **AST**

AST RECRUITMENT

LOOKING FOR YOUR NEXT ROLE?

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SVP, Sales & Business Development

Location: Singapore
Recruiter: HornbyChapman Ltd

Our client is a leading international bank offering a range of fund administration, global custody, sub-custody and clearing, and corporate trust and loan agency services

Project Manager – Regulatory Administration, Global Collateral Services

Location: London
Recruiter: HornbyChapman Ltd

Part of a small team of experienced professionals, the RAO (Regulatory Administration Office) will provide project sponsors and senior level business executives with detailed knowledge and understanding of existing, upcoming and relevant regulatory news and resulting actions

Director Fund Services Product Strategy – Greater China

Location: Hong Kong
Recruiter: Taylor Austin

Our client is a global bank that is looking to a hire an experienced product manager to own the China strategy, ensuring competitive positioning of custody and asset servicing products as the market develops.

To post new job positions contact Chris Lafferty: Head of recruitment
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