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New network opens for business

Bank of America Merrill Lynch, Barclays, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, J.P. Morgan Chase and Morgan Stanley have all joined a new open messaging network from Markit.

Markit Collaboration Services allows users to see availability, send instant messages, use video and chat rooms, and exchange documents across disparate messaging platforms.

The new network also provides an open directory for the financial services industry, enabling people to find, communicate and collaborate with one another.

The messaging and directory services can be embedded in third party applications, workflows and other networks, extending the functionality of trading, processing, research and other applications.

Thomson Reuters is a founding member of the network and will federate its instant messaging tool, Thomson Reuters Eikon Messenger, with the network.

NextPlane is powering the federation service.

Bank of America Merrill Lynch, Barclays, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, J.P. Morgan Chase and Morgan Stanley have joined the network and will use the federation and directory services at the enterprise level.

Lance Uggla, CEO of Markit, said: "We're excited to launch this new collaboration network which is the first of its kind. Our aim is to help financial market participants become more efficient in the way they communicate and share information. By offering them an interoperable collaboration system, we will change how financial markets operate."

Zar Amrolia, co-head of fixed income and currencies at Deutsche Bank, added: "[We are] at the forefront of

readmore p3

NES is new administrator for AVANA Capital

NES Financial has been selected by AVANA Capital to provide a small business administration (SBA) fund administration solution for their Golden Bull fixed income funds.

NES Financial's solutions hold investor funds in accounts while providing sub-account level visibility to each investor, as well as fund administration reporting for the fund manager.

readmore p3

Russian CSD puts on repository costume

Russia's central securities depository, National Settlement Depository (NSD), will take on the functions of a repository in respect of all types of contracts, including repo and derivatives.

On 1 October, NSD will begin transmitting data associated with the Bank of Russia's OTC repo transactions with a basket of securities concluded as a part of the general agreement entered into with the Bank of Russia, to the repository.

From 5 November, participants in the Russian financial market are to submit to the repository data about repo and currency swap contracts in compliance with regulation.

From 1 October 2013, NSD will expand the range of client interactions with the repository and will be offering two additional opportunities: access to repository services through the repository web-client using standard web browser or through NSD's web service allowing straight through processing using client and repository software.

New network opens for business
Continued from page 1

emerging technologies that drive market efficiencies. This new network allows us to connect disparate systems and improve the quality of communication and therefore service we provide to clients."

"We welcome any initiative that improves access and communication across markets and with our clients. The service will refine our back office technology footprint, whilst bringing efficiencies to our client facing franchise across the bank."

NES Financial is new administrator for AVANA Capital
Continued from page 1

AVANA Capital creates, provides funding for, and manages fixed income funds that offer an income stream to investors in the SBA 7(a), SBA 504, and USDA B&I programmes.

"We went with NES Financial because they are the leader in providing an additional level of security and comfort for our investors," said Sundip Patel, founder and managing partner of AVANA Capital.

"It is important to us to have a segregation of investor funds from our own internal capital. By using NES Financial, we are able to provide a cost effective method of funds management and protection for our investors, thus further maximising the overall yields earned by our investors."

Nordic Euroclear to start keeping ETFs under the wing

Central securities depositories Euroclear Finland and Euroclear Sweden will, for the first time, make actively-managed exchange traded funds available for settlement and custody in their book-entry systems.

Coincidentally, Nordea has also recently launched the region's first two actively-managed ETFs on the Stockholm and Helsinki exchanges. Depending upon where the two multi-listed ETFs are traded, transactions will settle locally in kronor at Euroclear Sweden or in euros at Euroclear Finland.

The two new ETFs listed by Nordea are Nordea Global Emerging Market Equities UCITS ETF and Nordea Stable Equities UCITS ETF. The price of these ETFs will be determined and provided by a dedicated market-maker throughout the trading day.

Trading in actively-managed ETFs is the same as trading in equities, and therefore both retail and institutional clients will need a book-entry account with either Euroclear Finland or Euroclear Sweden to process these transactions.

Heikki Ylipekkala, head of commercial at Euroclear Finland and Euroclear Sweden, said: "Actively-managed ETFs have established themselves as viable investment choices in countries like the US, where according to ETF experts, actively-managed US-listed ETFs account for around $14 billion of assets under management. It is natural that investors in Finland and Sweden will want to buy into this new asset class and expect Euroclear to service them."

Jari Kivihuhta, managing director of Nordea Investment Funds, said that the number of actively-managed funds is expected to rise, particularly as demand for equity-like products grows.

"Our mutual funds have been successful during the last few years. We feel very comfortable to launch a new kind of actively managed ETF with Euroclear, and to benefit from their years of fund processing experience."

ClearVest recommends custodian Millenium Trust

Investors on the independent investment platform, ClearVest, will now be able to select Millennium Trust as their custodian of choice during the ClearVest account setup process.

ClearVest offers a selection of unique funds, alternative investment strategies, research and analysis tools for portfolio modeling, management and monitoring of investments.

"We wanted to choose a custodian that is sophisticated enough to track with our investment offerings, infrastructure and technology, yet committed to serving the needs of financial intermediaries and their investors," said Michael Griffin, CEO of ClearVest.

Millennium CEO, Scott McCartan, said: "They've brought to market one of the more robust independent managed account platforms available to RIAs today. As an innovator in the financial services industry, Millennium's goal of continually developing new alternative asset custody solutions for institutions and individual investors is well suited to the ClearVest platform approach."

DTCC, Goldman Sachs et al. address data

The Depository Trust & Clearing Corporation (DTCC) and a group of large global banks that includes Barclays, Credit Suisse, Goldman Sachs and JPMorgan Chase and others, have agreed to jointly develop a service that collects and manages client entity reference data.

Over time, the service will address client reference data requirements of banks and broker dealers, as well as asset managers and hedge funds, including, among other items, legal entity hierarchies, standing settlement instructions (SSIs), regulatory compliance data (Dodd-Frank, EMIR, etc.), client on-boarding/KYC, Tax/FATCA and other requirements.

ASTINBRIEF

ASSETSERVICINGTIMES

Editor: Mark Dugdale
markdugdale@assetservicingtimes.com
Tel: +44 (0)20 8663 9620

Deputy editor: Georgina Lavers
georginalavers@assetservicingtimes.com
Tel: +44 (0)20 8663 9629

Account manager: Serena Franklin
serenafranklin@assetservicingtimes.com
Tel: +44 (0)20 8663 9626

Publisher: Justin Lawson
justinlawson@assetservicingtimes.com
Tel: +44 (0)20 8663 9628

Published by Black Knight Media Ltd
Provident House, 6-20 Burrell Row,
Beckenham, BR3 1AT, UK

"Our ultimate aim is to support the industry's call for a comprehensive, centralised platform to effectively manage virtually all client reference data," said Michael Bodson, DTCC president and CEO.

"We are very pleased that we now have an MOU with a group of the industry's top multinational participants. With their partnership, and the support of our board of directors, we are moving forward aggressively to bring this solution to market."

By developing standardised processes, the parties to the MOU aim to improve the control environment surrounding client onboarding.

The service will build upon DTCC's products Avox and Omgeo ALERT, a standing settlement instruction database.

"We are very excited to be a part of this joint initiative. Client service is of utmost importance to Credit Suisse, and the enhanced client reference data resulting from this service offering will assist us in meeting client needs," said Colin Hall, Credit Suisse chief data officer, Investment Banking.

"We firmly believe that our collaboration with the DTCC and other peer firms has the opportunity to deliver significant benefits to the broader market from control, regulatory and client service perspectives."

Irish SocGen mandated by EQI

Societe Generale Securities Services (SGSS) in Ireland has been mandated by EQI Asset Management to provide fund administration, financial reporting, transfer agency, taxation, custody and trustee services.

SGSS Ireland was chosen for its recognised expertise in alternative investment funds and its experience of working with prime brokers, as well as for its ability to help clients become AIFMD compliant, said a statement.

SGSS in Ireland provides a full range of administration, trustee and custody services to a client base of UCITS and non-UCITS mutual and alternative funds, either domiciled in Ireland or in other jurisdictions. Its offering also includes middle office services for OTC products, share class hedging, private equity and securities lending.

EQI Asset Management was established in London in 2009 as a limited liability partnership and is regulated by the Financial Conduct Authority. The firm specialises in market neutral strategies through equities, listed and OTC derivatives. It manages a regulated fund in Ireland.

BNP Paribas secures UK pension fund assets

BNP Paribas Securities Services has onboarded the assets of Oxfordshire County Council's £1.5 billion pension fund as part of a mandate to provide global custody and valuation reporting services.

There is also scope to expand the relationship into securities lending and performance measurement.

Sean Collins, head of pensions for the Oxfordshire fund, said: "We were particularly impressed with the approach set out by BNP Paribas, to work with us to manage the transition, and then to develop their systems and reporting suites to meet our specific needs here in Oxfordshire. Their flexibility was a key differentiating factor, and we felt they were offering us a service rather than simply looking to provide an off-the-shelf solution."

Annalisa Winge Bicknell, head of institutional investor sales and relationship management, BNP Paribas Securities Services UK, said: "We are very pleased to have secured this mandate from Oxfordshire and we look forward to developing a long-term relationship with them."

Canadian asset manager picks out SimCorp Dimension

A Canadian institutional asset manager is using SimCorp Dimension as part of its integrated investment platform.

Alberta Investment Management Corporation (AIMCo), one of Canada's largest investment management firms, has gone live with SimCorp Dimension.

AIMCo selected SimCorp Dimension, which automates daily investment workflows eliminating manual processing.

"AIMCo will use SimCorp Dimension as part of its integrated investment platform to allow for a more accurate 'data-driven' approach to investment decision-making," said Leo de Bever, AIMCo's CEO. "This allows AIMCo to further develop global investment strategies for the pensions, endowments and government funds we manage."

"Pension and endowments today are no longer investing within the confines of the basic asset classes that so many legacy technology platforms were built to process," said David Kubersky, managing director at SimCorp in North America.

"Additionally, increased regulatory pressure continues to make detailed reporting and validation necessary functions of an investment management solution. AIMCo understands the importance of having a solution that is scalable and automated, and also offers a consolidated view of all position data. We are thrilled to be working with AIMCo and look forward to seeing the positive impacts that state-of-the-art technology will have on the firm's performance and operations."

Custody recruitment firm expands and acquires

HornbyChapman, the specialist asset servicing search and recruitment company, has taken over SkillsHub, the contract recruitment firm founded by George Stavrinidis. Stavrinidis will become a non-executive director of HornbyChapman.

Co-founder and managing director, Paul Chapman, said: "Over the last seven years we have built a stellar reputation as the pre-eminent provider of senior, permanent professionals in the asset servicing sector and combining with SkillsHub's resources means we can extend our offering to satisfy our clients' requirements and market demand for quality contract and interim staff too."

"[Stavrinidis] has built a strong reputation for high quality candidates and relationships and we look forward to expanding upon this; we are also delighted that George will remain closely associated with our firm going forward".

Standard Chartered expands Middle East offering

Standard Chartered Bank has expanded its regional fund services capabilities in the Middle East.

Capabilities from its regional securities services centre based in Dubai now include fund accounting and administration, compliance reporting, performance measurement and analytics, and institutional transfer agency services.

With the expansion, Standard Chartered's fund services coverage has reached to 17 markets.

Alan Naughton, global head of product management for investors and intermediaries, said: "Expansion of fund services capabilities is a natural progression for us as a comprehensive securities services provider in the region. We have done extensive market research to ensure that not only do our capabilities meet client requirements but that we differentiate ourselves from other players in the region. We are extremely grateful for the support given to us by the regulator during the licensing process."

Margaret Harwood-Jones, global segment sponsor for investors and intermediaries, added: "Our comprehensive product suites for the securities industry participants make us the first choice of our clients. I am extremely pleased with the response from our clients who have shown tremendous interest in our capabilities in the Middle East. I firmly believe our extensive coverage, expanded fund services capabilities in the Middle East and recently established UCITS focused Luxembourg branch set us apart from competition."

Deutsche Börse delivers historic data

Deutsche Börse AG has introduced a new cloud-based service to deliver historical market data.

The new service, "Data on Demand," grants clients direct access via the internet to a high performance database of historical trade data from trading venues Xetra and Eurex, as well as Deutsche Börse index data.

"Cloud-based services like Data on Demand provide users with a cost-effective and efficient option to meet their data needs without directly investing in infrastructure," said Sascha Rangoonwala, head of back office data and services at Deutsche Börse.

"Our new offering allows financial analysts, developers of financial applications and vendors to get fast and flexible access to historical trading data for backtesting and analyses."

Market data can be ordered manually via an internet front end and downloaded directly. There also is an HTTP-based, application programming interface (API) available. With this API data can be used in client-specific applications like tools for analysis, business intelligence solutions and spreadsheets. Inquiries can be automated and data can be downloaded as needed. Data on Demand will reduce the latency time for obtaining data as well as infrastructure costs for the storage of large data volume.

The data offering contains historical order book and tick data, price time series, closing prices and VWAP. The offering will be extended in the future to include exclusive trading signals and key analytical data.

Fund managers' criminal past now on check

Individual background checks for fund manager staff, including investigating criminal and credit history, are now available at Kinetic Partners.

The advisor to the financial services industry is now offering a global background checking service to compliment its investor led fund, fund manager and service provider operational due diligence (ODD) services.

Individuals applicable for background investigation may include a fund manager's chief executive officer, portfolio manager or chief investment officer, chief operating officer, chief financial officer or independent fund directors.

The scope of background checks will include criminal, education, employment, credit and civil checks amongst other areas and the scope will vary according to location of that individual and the firm.

Quentin Thom, the director of Kinetic Partners, said: "As our global due diligence offering continues to grow, it is logical to be able to offer clients background check services, should they require them, on an on-call and quick turnaround basis".

Five percent AUC increase for Clearstream

Assets under custody increased by 5 percent year-on-year and securities finance services increased by 4 percent, in a fairly good batch of September figures for Clearstream.

In September 2013, the value of assets under custody held on behalf of customers registered an increase of 5 percent to €11.7 trillion, compared to €11.2 trillion in September 2012.

Securities held under custody in Clearstream's international business increased by 2 percent from €6 trillion in September 2012 to €6.2 trillion in September 2013, while domestic German securities held under custody increased by 7 percent year-on-year.

However, international settlement transactions decreased by 1 percent over September 2012.

Of all international transactions, 85 percent were OTC transactions and 15 percent were registered as stock exchange transactions.

For global securities financing (GSF) services, the monthly average outstanding reached €575.2 billion. The combined services, which include triparty repo, securities lending and collateral management, collectively experienced an increase of 4 percent year-on-year.

But at €571.3 billion, the year-to-date September 2013 GSF monthly average outstanding is just 1 percent below the same period last year.

Philip Brown, head of global client relations and member of the executive board of Clearstream, said: “The 5 percent rise in the volume of our assets under custody compared to the same month last year offers us reassurance that customers have trust in our business model, service suite and our strategy.”

US retirement system down two places

The US has slipped to 11th in the Melbourne Mercer Global Pension Index.

The index, which evaluates retirement systems around the world, revealed that the US slipped from 9th in 2012 to 11th in 2013.

Its overall score fell slightly from 59 in 2012 to 58.2 in 2013, resulting in the American pension system being overtaken by Singapore and Germany.

“America’s score fell primarily due to a reduction in the net replacement rate, which is a measure of the percentage of an individual’s pre-retirement income paid in retirement. This represents an important measure of pension adequacy,” according to a statement.

To improve the US retirement system’s ranking, the minimum pension for low-income retirees must be raised, the level of mandatory contributions for median income earners should be adjusted, and the vesting benefits for all plan members needs to be improved.

The Melbourne Mercer Global Pension Index report added that pre-retirement leakage must be reduced by further limiting access to funds prior to retirement, and part of the retirement benefit should be taken as an income stream, not as a lump sum.

European fund managers await hefty bill

Regulatory change could cost European fund managers up to $500 million per annum, according to study by BNY Mellon and EY.

The European funds industry faces extra expenses totalling between $300 million and $500 million per annum over the next three years to address new regulatory requirements, according to the study.

This translates over the next three to five years into a ’conservative’ 3 percent-plus increase in cost/income ratios correlated to a 2 percent-plus uplift in total expense ratios (assuming profit pools remain at current levels).

The study, ‘The Impending Profitability Challenge for European Fund Managers’, highlights the increased pressures on firms as compliance costs rise and investors demand cheaper products.

These pressures may lead to increased consolidation of asset management firms and create significant barriers to entry, as small firms struggle to survive.

“Larger fund managers will benefit from offering multi-asset products, as well as their robust risk infrastructures,” said BNY Mellon.

As the top 20 fund management houses gain market share there is a noticeable change in asset balance, with passive funds and ETFs growing at twice the rate of active funds, according to the study.

Daron Pearce, EMEA head of global financial institutions at BNY Mellon, said: "There are a multitude of initiatives that fund managers could consider in the face of falling profitability and rising costs/income ratios. These include reconsidering the opportunities of long term restructuring and building partnerships with third party providers for middle and front office functions. This is not just an issue for CIOs, but also something that needs to be focused on at the CEO level."

Stanbic IBTC selected as custodian for BNP Paribas

Stanbic IBTC, a member of Standard Bank Group, has been selected as the custodian for BNP Paribas Securities Services in Nigeria.

BNP Paribas Securities Services' regional head of network management for Europe, Middle East and Africa, Bogart Miheaye, said: "Stanbic IBTC was viewed as the strongest of three candidates in Nigeria, with its longevity and a market footprint that has proven lobbying influence. Taking into consideration the current regulatory environment, Stanbic IBTC in Lagos was the first custodian to offer the segregation of treasury bills at the Central Bank."

Segun Sanni, Stanbic IBTC's head of investor services, described the mandate as evidence that the company is the preferred asset custodian in Nigeria.

"We are pleased with the mandate given to us by BNP Paribas Securities Services in Nigeria. The inclusion of BNP Paribas Securities Services in our custody client portfolio is further evidence that our investments are yielding fruit in retaining Stanbic IBTC as Nigeria's preferred custody services provider."

Kentucky names BNY Mellon as custodian

Kentucky Retirement Systems has named BNY Mellon as its global custodian.

The bank will provide global custody, cash management, foreign exchange, private equity administration, and a range of global risk solutions services to Kentucky Retirement Systems, whose public pension and insurance plans comprise more than $14.5 billion in AUA.

Kentucky Retirement Systems is responsible for the investment of funds and administration of pension and health insurance benefits for more than 337,000 members.

It serves active, inactive and retired employees across three state plans—the Kentucky Employees Retirement System of the Commonwealth, County Employees Retirement System for city and county government agencies, and the State Police Retirement System for uniformed state troopers.

"One of the main drivers behind our selection of BNY Mellon was the edge we saw in its technology platform," said TJ Carlson, chief investment officer at Kentucky Retirement Systems. "They've also demonstrated to us they have a team that's both client-focused and solutions oriented."

BNY Mellon picks up lucrative Hawaii mandate

BNY Mellon scored another mandate win in October, having been been named global custodian by the Employees' Retirement System of the State of Hawaii (HIERS), encompassing more than $12.3 billion in pension fund assets.

BNY Mellon will provide global custody, securities lending, foreign exchange, cash management, and a wide range of global risk solutions services to HIERS.

HIERS provides retirement, disability, survivor, and other benefits to more than 112,000 members. Its membership is comprised of retirees, beneficiaries, inactive vested members, and active public employees working for the State of Hawaii and its counties.

"BNY Mellon is a market leader whose team can help us implement best practices that enable us to be more efficient," said Wesley Machida, HIERS executive director.

"This appointment extends our existing relationship with BNY Mellon's investment management and corporate trust businesses. As global custodian, we'll get a partner with a robust set of products we can leverage both now, such as securities lending, and in the future."

"Our relationship with HIERS is a stellar example of how BNY Mellon can deliver a total package of investment services from across the company to large plan sponsors," said Samir Pandiri, executive vice president and CEO of Asset Servicing at BNY Mellon. "We'll continue to work closely with HEIRS to support their needs in managing and administering their pension fund assets."

Chapman's Eye on the market

Monty Python were right

You catch me in a somewhat maudlin mood—perhaps it's because a glorious summer is coming to an end, perhaps because it remains challenging to consistently add value in a somewhat dysfunctional jobs market that is not yet fully out of the doldrums, or perhaps because my thoughts are already turning to Christmas 'festivities' with the extended family.

As a generally cheerful person, it reminded me that work, like life itself, is full of disappointments and can be an emotional rollercoaster, full of highs, lows and stomach churning swings between both.

In my role, I tend to see a cross-section of folks who are a mirror of the bell-curve of the general population—a small selection of eternal optimists at one end for whom rejection is but a pebble on the road to inevitable success, and at the other end some eternal pessimists for whom every job interview is merely another opportunity to fail.

In the middle are a large bunch of folks who, like most of us, simply shrug and get on with it. It is human nature to warm, or be attracted, to those folks with a cheery disposition and therefore I'd suggest that while every interview should be an honest, two-way process in which each candidate should try to be themselves and not offer up a false persona, it makes a lot of sense to suspend any natural inclination to be negative. A positive, naturally happy candidate—one whose eyes match their smile in terms of the message they want to convey—is more likely to be welcomed into a firm for their potential to be a catalyst for a happier and more productive working environment.

While it would be tempting to end with a quote from Quentin Crisp, "if at first you don't succeed, failure may be your style", I'd prefer to leave you with one from Malcolm Forbes: "Failure is success if we learn from it." As the Monty Python team famously sang, always look on the bright side of life.

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

Paul Chapman, managing director, HornbyChapman Ltd

Difficult to please

Class action cases are not taken on lightly by the Israeli court, but its legislation is one of the most developed of the Middle East, says Pat Bingham-Peters

As securities class actions expand within the Middle East, it is clear that Israel has firmly incorporated them into its legislative system, despite its court, the Knesset, remaining cautious in its selection of cases.

Since the 1970s, Israeli civil law has undergone a gradual process of codification modelled on continental European law. Major revision to a Securities Law of 1968 was undertaken in 1988. This second phase launched the development of formal rules for representative action in Israel and drew strongly on the example of US class action laws. In the early 1980s, Israeli legal academics and senior law reform civil servants within the Israeli Ministry of Justice were arguably inspired by the US's experience of class actions. This provided a fertile breeding-ground for dissatisfaction with the system of sector-specific rules for representative actions. A general class action law, 5766-2006, was passed in March 2006 which replaced the previous sector-specific legislation. Claims against banking corporations, in both pre-contractual and contractual relations, became entrenched.

Class action cases are not taken on lightly by the court. The court is very much aware of suits submitted against a body which provides services to the public, such as a banking corporation or essential utilities, and the harm that it might cause to public services and financial stability. Magen and Segal highlight in their report, The Globalization of Class Actions, National Report: Israel, that the Israeli legal framework for group litigation generally lacks specialised, formalised, detailed case management procedures. This leaves a broad degree of discretion for the managing court to direct the course of litigation, subject to the applicable statutory provisions and their authoritative interpretation.

Nevertheless, the basic logic underlying the 2006 law is that it is designed to protect diffuse rights and deter powerful market actors from abusing their power; as Magen and Segal state, "allowing effective action where the harm caused to individual members of the class is too small to allow individual action, but the collective damage is large or shocking enough to merit group action". The standard method of inclusion in a class is one of 'opt-out', where a member of the class who wishes to exclude themselves from the binding decision of the Court must do so actively. Section 12 of the law establishes an 'opt-in' procedure in which mass claims may still be processed by means of a representative suit, but only where individual litigants actively join the class certified by the Court.

As in other jurisdictions such as the US, the majority of civil suits in Israel, including representative suits, are eventually resolved by means of a settlement, rather than a judicial decision. Under Section 20 (D) (2) of the law, the court decides in favour of the class or sub-class, either fully or partially. The court decides on the sum of compensation or the manner in which such compensation is to be paid. In their national report on Israel's class actions, Magen and Segal use the example of the Analyst Mutual Funds Management v. Arad Investments class action case, which saw Justice Barak state: "Special compensation should be awarded where, in filing and pursuing the claim, the representative plaintiff undertook special effort or assumed genuine risk—or where in the absence of the incentive provided by the award of special compensation the claim would not have been filed on account of the small amount of individual damage involved."

Following the Morrison v. National Australia Bank case in 2010, the US Supreme Court effectively wiped out the eligibility of F-Cubed actions from taking place within the US. This means that a non-US shareholder, suing a non-US company, whose stock was purchased on a non-US exchange, can no longer bring their case in the US courts. Legislators across the world have rapidly been developing legislation in response to the need for securities class actions to be processed in alternative locations. Israel could well establish itself as a home for class actions in the Middle East. Goal Group's research predicts that by 2020, annual securities class action settlements in the Middle East will reach $150 million annually.

Although the US remains the most developed and dominant centre, recent years have seen the global securities class action market expand rapidly. In the meantime, Israeli investors should inform themselves of global centres which have emerged around the world which include Canada, Australia, The Netherlands, Sweden and Germany, amongst others.

There are now specialist service providers that can automate the complex process of class action participation across international legislatures at a relatively low cost. The pressure of the process can be dramatically eased by such support. For example, specialist providers work on a global basis, covering class actions in all markets, while managing on-going relationships with various legal firms worldwide and a network of paying agents.

> "Israeli judges have adopted an unduly conservative, restrictive attitude towards representative actions, which underestimates the broader public benefit of accountability"

Although Israel's class action legislation exists as one of the most developed of the Middle East region, it is possible to argue that Israeli judges have adopted an unduly conservative, restrictive attitude towards representative actions, which underestimates the broader public benefit of accountability. Some believe that it should be the responsibility of the legislator, litigants, and the free market—not the courts—to shape the use of representative action mechanism. **AST**

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

Time to talk about data

A historical disproportionate focus on knitting data together will be replaced by a clear governing policy, says Adam Cottingham of SmartStream

Improvements in information infrastructure have born many IT initiatives that promise to solve all things data in financial institutions. As the market takes stock and looks back on the consequences of these initiatives, it is becoming increasingly apparent that many of these projects were misconceived, placing a disproportionate focus on knitting data together and ignoring what, in retrospect, was an obvious requirement to implement not just technology but a clear and universal policy for governing all elements of the data supply chain—from its sourcing to timeliness, quality, control policies, integration, storage and distribution.

As well as failing to solve the problem they were implemented to solve, these failures in governance have created a labyrinth of disparate databases, multiple master files and bewildering licences which are costing the industry millions of pounds a year in data fees, software licenses, maintenance contracts and fixed staff costs—and this is before one takes into account the even greater knock-on costs of regulatory compliance and repairing data-related downstream issues. As we, as an industry, attempt to move (tentatively) forward into the post-crunch brave new world, this is perhaps a good time to talk about data and its effective governance.

Many firms now have at least a nominal governance policy of sorts in place, but all too frequently these policies fall down in their application. Successfully aligning data sourcing and flow constraints with not only instrument lifecycles but also internal infrastructures across an entire organisation is a very complex undertaking. This complexity is exacerbated by notions—born of a less cost-conscious historical environment—that the way to solve data issues is to throw more sources of information together to create a 'better' golden copy and that all data can become a profit centre, in the form of proprietary rules and pricing routines.

The reality is rather simpler. Data, for the most part, is absolute and is a cost centre for firms. Implementing solutions that add to this cost only make cost reduction strategies—strategies that are meant to deliver economies of 40 percent or more for most firms—seem even further out of reach. Instead of launching more IT projects, firms are looking to apply meaningful metrics across elements of their data that they can affect, ie, coverage, timeliness, quality and cost. Imposing a governance policy that not only measures these metrics but enforces targets for their successful compliance leads to a tangible and results-driven framework, and because these elements are all linked, the aim is that an improvement in one delivers an improvement in the others. Implementing this governance policy means firms can take a step back from localised issues by accurately assessing their data resources, before implementing an elegant and efficient enterprise-wide policy that treats all data as part of a single ecosystem. This approach recognises the interdependencies between assets that have previously been viewed as microcosms—from legal entities to securities, corporate actions, derivatives, and prices.

To an extent the focus on firm-wide governance is being brought about by external forces as much as internal imperatives. Increased close supervision and more timely reporting requirements imposed by regulators in order to monitor and mitigate systemic risks are supported by a global drive towards greater transparency and accuracy. Initiatives such as: the US Dodd-Frank Act, Basel III, the Markets in Financial Instruments Directive (MiFID) review and The Foreign Account Tax Compliance Act (FATCA) are all putting greater reporting requirements onto firms, as well as helping to instigate industry change in their own right.

To take one example currently very much in the spotlight, the Legal Entity Identifier (LEI) project is being effectively mandated by legislation on both sides of the Atlantic and is a rare instance of a regulatory burden that is intended to not only reduce the market's overall risk, but will also allow individual participants to free up much needed resources and capital—achieved by applying a freely available and relatively straightforward standard to an opaque and expensive problem.

The LEI is not, of course, the answer to all of the industry's problems, nor is it going to be cost effective or easy to implement, but it is a step in the direction that it must take in order to not only survive but to prosper. This direction is towards increased standardisation and proactive collaboration between market participants, and to grease the wheels of this movement, a radical new solution is attracting interest. This solution is the centralised data utility.

Collaboration is key to the success of the central data utility (CDU); as with any technology offering, to provide efficiencies and therefore cost savings to the firms who use it. It is itself a collaboration between SmartStream and Euroclear Bank, blending Euroclear's operational staff and global reach with SmartStream's purpose built technology, research analysts and operations to import, cleanse, package and deliver data from any direct and indirect sources to its client base. In addition to offering strict guarantees to customers in the form of customised service level agreements (SLAs), it is specifically designed to address the situation by which all firms were receiving and managing broadly the same data sets without ever really getting the end results that they required. By centralising the operation the CDU does the heavy lifting just once and delivers the results to all customers at a fraction of the cost and at a vastly higher quality level. To achieve this it depends on the input and feedback from its entire client base, allowing all firms to benefit from this collaboration and pushing the quality of the data inexorably higher. Furthermore, the breadth and depth of the data covered—from legal entities to securities, corporate actions, prices, calendars and comprehensive identifier cross referencing— means not only a greater ability to apply rules thanks to the technology and staff's ability to take a holistic view of all data coming into the platform, but also much greater flexibility in data sourcing with quicker and cheaper new feed implementation for customers.

So yes, it's time to talk about data. There has never been a better opportunity for firms to stand together to replace costly and ineffective patches to a constantly growing problem with a single, effective cure. The CDU could be that cure, if the market is willing to work together, work with regulators and work with the platform to deliver effective results to strengthen the collective and benefit of all individuals. **AST**

Adam Cottingham
Vice president of utilities and services
SmartStream

A rare breed

Managers are moving away from the traditional long/short equity model to more opportunistic and exotic strategies, says Custom House Fund Services

GEORGINA LAVERS REPORTS

Where do you see growth in the alternative investment space over the next 12 months?

Going back slightly, over the last four months we've seen managers moving away from the traditional strategies towards more non-traditional strategies, for example the traditional long/short equity model is being overtaken by more opportunistic strategies. We've seen a lot more complex strategies with different types of exotic products and because of that the valuation process and daily reporting is being leveraged much more from us. Over the next 12 months we will continue to see managers trading more complex products and leveraging the infrastructure and reporting capabilities from their administrator in order to be more transparent. We believe that going forward the successful managers will be the ones that use their service providers for their infrastructure.

How has the relationship between fund managers and their fund services administrators changed over the years? How do you foresee this developing in the future?

The relationship between fund managers and their fund administrator has changed in multiple ways. What we are seeing now is better communication with the operational team of our clients' firms on a daily basis and traditionally we're seeing their needs becoming much more reporting-based. We're seeing clients push work on to us so that they can leverage our infrastructure, allowing the client to focus on trading and capital raising.

In the future I foresee more of that occurring. We are now building the capability to do more reporting and we've had to develop technology and portals specifically to be able to deal with those types of reporting problems. The managers do not have to build this type of technology, they can simply leverage our technology, reporting capabilities and expertise to solve a lot of those internal issues which they may not see as their core activities.

What are the biggest challenges facing fund managers today when it comes to running their businesses for success?

Performance is the obvious challenge but putting that aside from a business standpoint it's the uncertainty from the regulatory environment, which I believe is one of the biggest pressures. For example the new regulations regarding FATCA requires management companies to invest in new technology and systems to deal with these types of pressures. Managers will have to either build technology on their own or outsource it. From a compliance standpoint it's very expensive because the regulatory environment is always changing. With this level of uncertainty, successful managers will focus on their core activities and outsource a lot of these functions to their administrator.

From increased investor reporting, to intensive ODD, to overwhelming demands for regulation and compliance, how are fund managers coping with these extra burdens on their operations, infrastructure and staff time?

There are a few problems here. The first issue is increased investor reporting, where a lot of managers that we work with want us to issue daily flash reports to their clients—not necessarily giving them portfolio information, but information from highs and lows of the day, static risk reports and general profitability of the fund. Management companies also commonly have data consolidation issues, especially those that are multi prime and as investors are demanding reporting on a daily basis. it simply means that the majority of managers are again asking their administrator to consolidate their data and issue clean reporting to their investors every day.

One of the biggest challenges facing management companies is the ability to react to their investors' demands, from a transparency prospective. During the operational due diligence process managers are required to show how they are calculating risk. It's very expensive to build up that type of infrastructure, which is why client are asking us for solutions.

How and where have costs grown for fund managers?

Costs have grown in a few ways. The cost of building technology from a risk management perspective is obviously very expensive and it's not viewed today as an expense that is necessary. The majority of the management company's expense should be focused on research and a lot of managers believe that anything that's post-trade should be somewhat outsourced. Whether it is regulatory reporting, risk reporting, or portfolio accounting, if outsourced they can spend their money and efforts on research, execution and obviously capital raising efforts.

Custom House Global Fund Services has worked with some big names in the industry with clients that have grown from start up to multi-billion, multi-asset, global investment firms. How have you partnered with these clients and how can you help other funds grow?

Our approach is very much to listen, learn and build. For our larger clients we take a somewhat consultative approach to their business because we understand that every manager and every fund is very different. What we've built from a technology perspective is a scalable solution so if we, for example, have built reporting for our largest client we can leverage that and offer that same level of reporting to our entire client base. That's really helped out the emerging manager; we can offer the same level of reporting to the $50 million emerging manager that we do for our multi-billion dollar clients and that's very interesting to them. They will put the reporting capabilities within their due diligence documents and when they are trying to get seeding from an institutional investor it can only help the process. So we have a very scalable technology platform and is something that we are constantly improving on.

How has Custom House invested in technology to meet the needs of US hedge fund managers?

We listened to our US client base and learnt that the expense from the technology perspective was very high. So we're now in the process of launching a new technology platform called Custom House Gateway, which will provide an innovative and scalable approach to alternative investment operations. We built a web-based platform designed specifically for daily reporting on an interactive dashboard that also allows monthly reporting from a fund accounting perspective as well as an investor services perspective and compliance perspective to be delivered through a single portal. We believe that it will really change the way that managers interact from a technology perspective because now they do not have to build these platforms themselves, they can leverage ours.

> "During the operational due diligence process managers are required to show how they are calculating risk. It's very expensive to build up that type of infrastructure"

It's completely hosted in the cloud so managers don't need to put anything on their database or their servers and it's completely tablet-enabled so when the client's marketing team is on the road they can show a potential investor how risks are being reported, how the valuation process is captured through the portal and also how investor reporting at the end of the month can also be delivered on the same portal. From a due diligence standpoint it adds real value because the manager is leveraging technology from their admin and they don't have to support it; they just have to manage a service agreement which is obviously a lot more attractive. At the same time it's evolving, it's never going to be static so if a client needs specific reporting it's something that we can very easily scale up to produce. **AST**

Scott Price
Regional director and head of sales
Custom House Fund Services (Chicago)

UCITS rivals compete for traction in Asia-Pacific

The many regional fund passport initiatives will greatly facilitate distribution across Asia-Pacific, but the existence of multiple schemes and the dominance of European UCITS can potentially temper this change, says Lawrence Au

The Asian Region Funds Passport (ARFP) came a step closer to delivery last month when Australia, Singapore, South Korea and New Zealand signed a letter of intent to establish greater regulatory standardisation. The letter paves the way for a pilot ARFP to commence in 2016. It will, though, have to compete not only with UCITS, but with at least two other regional platforms: the ASEAN funds passport and the China-Hong Kong Mutual Recognition Scheme (CHKMRS). The ASEAN funds passport is targeted to go live in 2014, initially encompassing Singapore, Malaysia and Thailand, and while a date has not been set yet for the launch of CHKMRS, it has attracted much attention in the industry since its announcement early this year.

Although, the creation of these new initiatives is partly motivated by the fear in Asia of losing momentum vis-a-vis global fund distribution, there is no doubt that the local regulators are keen to push funds to be locally domiciled under their own control after the global financial crisis. The two new passport initiatives also seek to balance out the Chinese initiative, with Singapore involved in both. While Japan is the biggest market in the region, it is not participating in any of the three projects.

The asset management industry is now facing some interesting opportunities as well as challenging choices. For a long time, UCITS has been the de facto platform for distribution to Asian countries such as Hong Kong, Singapore, Taiwan, Korea and Japan (besides Europe). But asset managers now have to seriously consider whether they should set up locally domiciled funds to take advantage of the new passport platforms rather than just focusing on UCITS.

This is especially the case for the CHKMRS which is seen as a potential game changer by many in the industry. Despite that details of the scheme have yet to be announced, there have already been several high-profile global managers, such as BlackRock and J.P. Morgan, who have either re-domiciled some of their funds or set up new locally domiciled vehicles to position themselves for the launch of CHKMRS. While this potential new opportunity is certainly exciting, managing resources and building the scale to support multiple platforms will be challenging. Instead of having one passport for the entire region, there are now three different initiatives. This creates a somewhat puzzling situation with a lot of competition for traction. But on the positive side, the common recognition of the need for streamlined cross-border distribution has led to the first steps to create such frameworks across multiple markets. It is still a step forward breaking away from the status quo of total market fragmentation.

First mover advantage

At this point, the potential access to the vast population of the greater China region through the CHKMRS has captured a lot of imagination, so much so that market stakeholders are now trying to better manage expectations. The newly announced ARFP and the ASEAN funds passport have yet to create the same buzz in the market. The industry still needs time to understand these two schemes and is waiting to see the details of each to decide the level of attention they will place on these two schemes.

Meanwhile, at present, UCITS remains the only working passport for distribution in over 60 countries globally including multiple markets in Asia.

Given that it is the only global brand that can be used to allow both Asian asset managers to sell their expertise outside Asia and European asset managers to distribute their funds in Asia, many UCITS funds are still being launched by managers. Although we have seen the approval of new UCITS funds in Hong Kong and Taiwan decelerate over the past two years, Japanese, Malaysian and Chinese managers based in Hong Kong,have continued to promote them locally.

We believe UCITS will continue to grow as a global brand for global distribution despite the regional initiatives in the Asia-Pacific region. The future of its continued success in the region will depend on its willingness and flexibility to incorporate and embrace the needs of local regulators and asset management industries in its decision making process, rather than being entirely EU-centric.

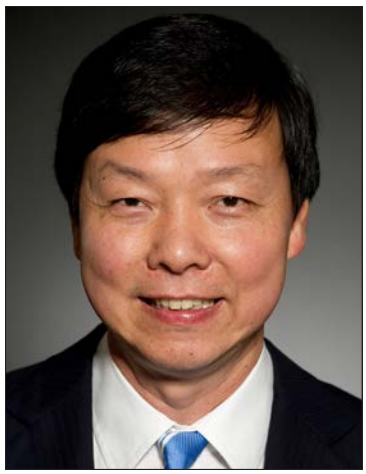
The region also needs to face the challenges of local distribution which is still bank controlled. As a result, global fund distribution strategies will require partnerships/joint ventures to be successful. There is a long road ahead to tackle.

Taking the initiative

It is hoped that through these passport schemes, investors in Asia will be able to access a much wider range of choices in terms of investment funds that are developed with a strong expertise on fast growing Asian economies. They should also lead to a reduction in costs as a result of the simplified and streamlined administrative structures.

Service providers with expertise in global distribution are key in facilitating these passport schemes. As advocates for their clients' needs they are able to address issues that develop under these initiatives from a practitioner's point of view. Firms that have set up trustee and fund administration operations across multiple jurisdictions in the region will be well placed to offer solutions and advice to clients who wish to take advantage of any of these schemes as they evolve.

Consulting with one's service providers can deliver additional insight into the progress and opportunities each scheme offers. While there is time to watch them develop, beginning the conversation with partners now will ensure any future decision is as well-informed as possible. **AST**



Lawrence Au
Head of Asia-Pacific
BNP Paribas Securities Services

Strength, prudence and confidence: O Canada, indeed

David Linds, senior vice president of business development and relationship management at CIBC Mellon, sells the idea of Canada as a country where mature capital markets and good governance can meld to create an ideal investor's market

GEORGINA LAVERS REPORTS

There are many great reasons for global investors to consider Canada. In addition to the many desirable investment opportunities themselves, our nation boasts robust market infrastructure, mature capital markets and a well-deserved reputation for prudence and good governance. Our regulators work closely with industry stakeholders to reinforce best practices, and our governments have likewise acted to bolster the strength and stability for which our nation continues to be known.

Canada has a comparatively complicated regulatory regime, with individual provincial securities regulatory regimes across the country, a federal banking regulator, and a number of industry bodies. Our nation took a big step forward recently, however, as the provincial finance ministers in the provinces of Ontario and British Columbia announced a few weeks ago that they had reached an agreement with one another and with the federal government of Canada to move towards a single securities regulator. These jurisdictions are also inviting other Canadian provinces to participate. While the various provincial regulators coordinate through a shared body, Ontario, BC and Canada's move toward a shared regime could bring even greater alignment.

In recent years there has been tremendous focus on risk and governance among market participants. The classic investment question around risk and return has taken on new dimensions as emerging global and domestic regulations as well as intense pressure from both internal and external stakeholders have forced clients to dedicate much greater energy to managing and reporting risk across a wide range of categories. From settlement to tax to operational risk, the administration of investment activities remains critical for institutional investors. A knowledgeable local market sub-custodian can help provide investors with confidence that risk, governance and reporting activities will be well and accurately managed—all while delivering strong execution, local market expertise and robust client service.

Canada is known for embracing diversity as a source of strength, and CIBC Mellon is no exception: as a 50-50 joint venture between two very strong financial institutions, our company is positioned to leverage the diverse strengths of both. CIBC is a large Canadian retail bank, which positions us to leverage their local market insights and local market offerings, while BNY Mellon delivers leading asset servicing solutions built on a tremendous investment in technology and global market relationships. Our parents give us access to two very strong risk and governance cultures, which help provide extensive and robust oversight.

Our sole focus on Canada is both our strategy and our strength. Every one of our nearly 1,100 employees is exclusively focused on servicing investors here in Canada. This large local presence positions us to participate very actively on industry committees, and make the connections between client needs and emerging changes in the marketplace. We work to keep clients well informed, and to building a strong understanding of clients' needs as we connect with industry peers and market stakeholders. We are uniquely positioned to bring Canadian investors to the world, while providing global investors with a dedicated local specialist to support their activities here in Canada. Everyone on our team is solely focused on managing client service, provision of services to investors into Canada.

Canada remains an outstanding place to do business, and we are proud to welcome investors from around the world to participate in our markets. **AST**

Falling through the cloud

Drew Douglas of HSBC Securities Services talks to AST about the dangers of offering 'cloud technology', as well as the bank's reasoning for its recent structural consolidation

GEORGINA LAVERS REPORTS

What are some specific themes that the securities industry is concerned with currently?

Firstly, the entire framework of the industry infrastructure in the banks is a significant area of review. A lot of service providers and banks are looking at operational efficiency gains through the creation of a utility, or shared utilities, in the industry.

This conversation is gaining a lot of momentum and we have seen a lot of discussion around the ability to pull both a value-add, and a commoditised operation in your back office, together.

For institutions, great examples of duplication are in know your customer utilities and global market data. They aren't that differentiated at the end of the day, but again, the ability to pull them together is what really matters. This reduction in duplication reduces investment costs, standardises process and allows service providers to focus more on the value-add services that clients are demanding.

Many of these conversations are lot more advanced then they used to be. Clients, such as asset managers and other banks, can leverage your technology, investment and staff in order to create an operational efficiency. Aligning your infrastructure investment and talent programmes to your core client's strategy is critically important.

The second big theme is definitely around regulation, specifically, the change in regulation; the securitisation of assets; the change in collateral flows and the optimisation of that collateral; and the general security of assets as a whole.

We cannot just focus on the costs associated with this new level of regulation that we will all have to bear, but must understand and appreciate the opportunity that comes with it.

Regarding the optimisation of collateral, the industry wants to put in place a proper transformation process, but service providers still have much to do in terms of their collateral management solutions. There are good solutions and services out there, but the top level of optimisation expected by managers' may be some time away.

How is HSBC Securities Services going forward with its order of business?

Regulation will definitely play a big part in our business, and with this will come new product differentiation. The asset servicing industry as a whole has seen revenues reduce, and margin pressure on historic fees will only continue to persist.

Going forward, the focus for our business is to establish more holistic relationships with our clients. We are building a more client-centric approach that values collaboration across product lines to establish client solutions.

With this approach, it is extremely important to understand your core target customers. Focus is the key to growth, and with this comes the necessity to exit certain non-core businesses in order to deliver that to the core client base.

How you are re-defining services?

We are very focused on the facilitation of data management for clients. Even while we develop and build out some of our front-end technology, we know our clients still want data facilitation.

There are a lot of conversations about big data, but there should be some caution around certain financial institutions moving offering cloud-type services for their clients.

Our business would be very cautious in creating any type of 'cloud technology' for clients in the securities space. We can certainly offer data connectivity and data provisioning: allowing our clients to leverage institutional capabilities such as broker-dealer outsourcing and middle-office services.

However, housing the end-to-end infrastructure and clouding big data is something we must all understand better. Regulators will require asset owners and asset managers to understand what their disaster recovery plans are, and housing that all in one institution is something the industry should manage closely.

Core products such as agency lending and foreign exchange will take up just as much of our attention—and we must deliver these services better.

We offer an indemnified programme where you have the strength of the balance sheet behind that programme, not just your own collateral. Our securities lending, foreign exchange, cash, and liquidity management businesses are still just as strong.

From a regulatory perspective, the US-Dodd Frank Act and the EU Financial Transaction Tax are concerning. Our usage rates in securities lending are some of the best in the industry from an agency lending perspective. Part of that is simply the size of our book as we are not as large a global custodian as the top three. That said, we have a very strong product proposition and one of the fastest growing inventories with our growth in global custody over the last couple of years.

Why did HSBC Securities Services pull some of its custody provisions out of Bermuda?

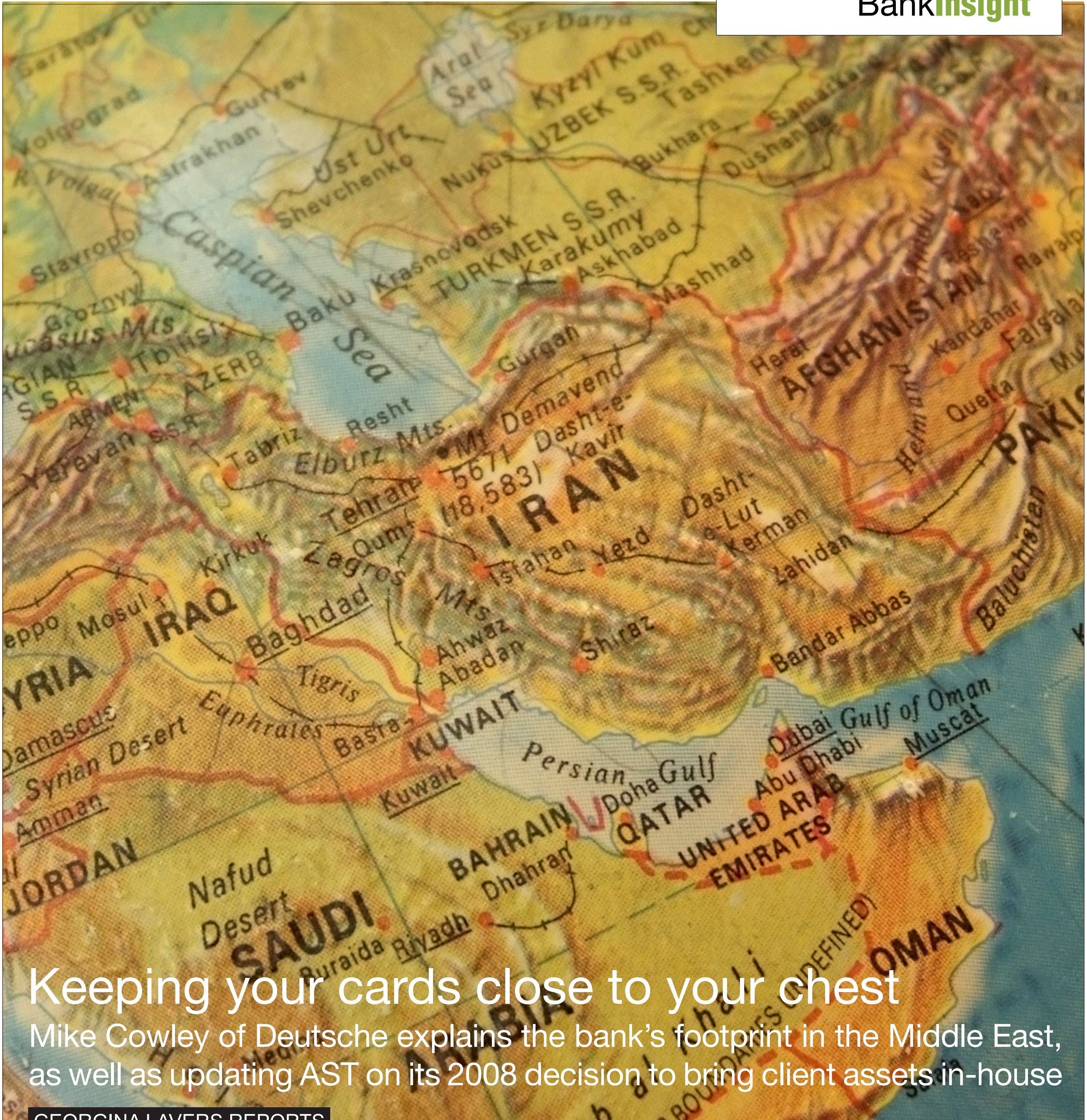
We are still offering sub-custody in Bermuda, but we reduced our fund services footprint there. This was to do with structural consolidation within the group, as our CEO and everyone in HSBC is very focused on creating internal efficiencies.

Our operational footprint was too spread out geographically from a global funds services perspective. We have exited various locations from an operational perspective including New York, Bermuda, Malta and others. By hubbing our operations, we can create efficiency and drive standardisation where appropriate. The generation of these sustainable savings allows the group to reinvest in our core businesses while still servicing the same client base. But this doesn't mean that we do not continue to service this client base.

The only sub-custody market that we recently withdrew from is Malta, and that's simply because of the size of the market there, and our presence on the ground.

Our focus from a strength of markets perspective remains in the faster growing markets and HSBC's history. These continue to be centred in Asia, the Middle East and Latin America, which aligns well with our group's overall strategy. The strength in our network comes from being a part of the larger group's global footprint and the people we have on the ground. **AST**

Drew Douglas
Co-head
HSBC Securities Services



Keeping your cards close to your chest

Mike Cowley of Deutsche explains the bank's footprint in the Middle East, as well as updating AST on its 2008 decision to bring client assets in-house

GEORGINA LAVERS REPORTS

Could you describe how Deutsche operates in the Middle East?

We have a client service team based in Dubai, and use this team to offer our Middle East and North Africa (MENA) hub product, as well as servicing the three direct markets within the United Arab Emirates (UAE). But as we've also expanded into Saudi, and will soon be heading to Qatar, We have staff on the ground in Saudi Arabia from a securities and cash perspective, and we will replicate that in the Qatar office in Doha as well.

We have five markets in the Middle East, which equates for 80 percent market cap and probably closer to 90 percent of the direct Gulf Cooperation Council (GCC) flow.

What are you feelings on MSCI's upgrade of UAE and Qatar?

Although the work has been tiresome and somewhat painful at times to get the MSCI upgrade across the line, I think there is a real value add in terms of getting things moving and the effort put in. I hasten to add that I think MSCI is not the end-game; it's the starting point. It has been interesting going to different conferences over the last couple of years. Everyone almost got MSCI as this huge delivery objective rather than actually thinking about what the objective of the MSCI upgrade is—is it to tick all the boxes, or are we trying to do something that enhances the local markets and develops the capital markets infrastructure?

I think at some point, we lost that message. Exchanges and regulators were trying to tick boxes. But over the last two years, there has been more drive as to wanting to see what these markets can actually deliver. That's been shaped with work done from our side, as well as local participants. Now we have a model, which, although maybe not 100 percent liked by international investors, is a model that they are more akin to and a model that they now more prepared to use.

What is your opinion on Saudi Arabia opting out of the index?

To my mind, Saudi never opted in. Saudi Arabia is on a T+0 market and there are certain requirements it needs to fill before it meets index criteria. Foreign ownership is a big obstacle obviously.

I don't know if Saudi want to be in the MSCI index—that would be a discussion between the two parties.

If you look at the MSCI criteria, Saudi is missing a couple of key points before it can enter, foreign ownership restriction being one, and T+0 potentially being another. However if it were to join the index, it would be a game-changer. I'm not an analyst but the numbers they throw out there have the same potential size as Turkey in terms of the weightings on the index.

If you added that to a UAE, Qatar and possibly Kuwait scenario, then the GCC has a real meaningful contribution to the emerging markets index, and possibly beyond, as we are told some of these markets are keen to move on to a more mature status as well.

Over the last two or three years, there has been concentration on both the MSCI upgrade, and the development to a more sustainable capital markets. I think that is the other thing the MSCI gives us. Whether it's passive managers who have to track, or managers who want to track the index, the upgrade will mean a significant uptick in portfolio flows.

We've also got the other added benefit, which is that if they're going to be in the index, they have to have analysts tracking and providing research on the stocks in the MSCI index. Therefore there are more analytical decisions being made on the stocks, rather than emotive decisions—and that will filter down to the retail. In a market where you have a 70:30 split—70 percent being retail and 30 institutional—if you then get the MSCI changing that dynamic and also changing the dynamic with real analysis in there, that will filter down to retail and there will hopefully be less volatility, more sustainability, and give the markets more of a mature perspective.

Two of the criteria MSCI use to classify markets includes securities lending and short selling. How do you see growth of these two practices in the Middle East?

I think we need to be careful with the usage of securities lending in the Middle East, because whilst the UAE and Qatar are developing their lending capabilities they are for securities fails and not strategic lending. It is not the strategic lending you see in mature markets.

Short selling is interesting, as UAE and Qatar still do not really allow this in practice. You still have to have the assets in the account for the orders to go through to the market but we should note there is now more protection for security sales in that a level of asset protection now exists. The receive versus payment/delivery versus payment (RVP and DVP) and processes are recognisable, and as stated there is far more control for the global custodians and their clients than it ever has been. But, we still have a little way to go.

How have you seen the concept of a custodian be introduced in the Middle East?

Five to seven years ago, a lot of regional clients did not see the value of a custodian. Why pay for something that the central securities depository already does? This has started to change.

I think using the term 'introduce best practice' is not fair to the local market— as many of the domestic processes work in terms of what [the local markets] are looking to achieve—but some of the international practices that Deutsche Bank and our peers in the custody world bring to the market do help to push the governance in the markets. You see it from the top down. We now have greater governance through the local markets here, which can only help transparency and stability and continual growth.

Deutsche Bank's decided to revoke its sub-custody mandates from HSBC in 2008 and bring client assets in-house. How has sub-custody progressed for the bank since then?

When we entered the market it was with the intention of supplying value-add to our internal business, and then looking at the cross border business, globally and then seeing regionally and locally what business we could penetrate. We knew that it would take a while locally for the custody market to mature, and for us to be accepted as the preferred model. Literally as soon as we went live in UAE, the markets in the Middle East (and internationally) went through a state of turmoil, and assets under custody dropped dramatically which in effect saw the need for additional providers was not as urgent as it had previously been.

Clients moved their business away from what was still a pretty small region. However, Deutsche has continued to push forward and meet the clients, develop its product and assist with the development of our local client service team, but in the interim, actually changed focus in looking at some of the regional and local mandates, specifically on the fund administration side. This change is with reference to regulations in the Middle East, which are looking to force managers locally to split management, brokerage, admin, transfer agency, and not have all in house, and use a more traditional model by appointing a custodian or administrator.

> "I think using the term 'introduce best practice' is not fair to the local market, as many of the domestic processes work in terms of what [the local markets] are looking to achieve"

So that was a specific focus for 2009 and 2010, where we built assets under custody up from that perspective. In the last 18 months to two years we've seen growth come back to the region, and are starting to pick up new clients, and have migrated two or three clients to the platform Our growth story is good, we continue to add more clients, more market share, and have started to chisel away at HSBC in terms of the markets where we are direct providers. **AST**

Mike Cowley
Head of direct securities services (DSS) for MENA
Deutsche Bank

Industry appointments

BNY Mellon has appointed Eamon Burns as its new regional head of private equity accounting for Europe, Middle East and Africa (EMEA) within the company's asset servicing business.

Burns will report to Caoimhghin O'Donnell, managing director and head of alternative investment services (AIS) fund accounting—EMEA, and will be based in Dublin. He joins from State Street and will lead the BNY Mellon's team of specialists in Dublin and Luxembourg, servicing private equity administration clients throughout the EMEA region.

Prior to State Street, Burns worked at Goldman Sachs for 11 years where he was responsible for management of all aspects of fund accounting for many of the company's top tier private equity fund clients.

The head of public affairs at BNP Paribas Securities Services has been promoted to the asset manager client segment.

Florence Fontan is the new head of the asset manager client segment, responsible for strategy, business development, products and services to the custodian bank's asset manager clients and prospects.

She reports to Charley Cock, head of client development and Philippe Ricard, head of asset and fund services at the bank.

Fontan has been replaced as the head of public affairs by Laurence Caron-Habib, a public affairs specialist who joined the bank's public affairs team in 2007.

Kevin Skorzewski joins as head of sales for North America in a new role that will hold him responsible for building out HSBC's securities services franchise in the region and serving the needs of asset managers in North America.

He will work closely with the product, sales and business development functions, and will be located in New York.

Skorzewski joins from JP Morgan Chase, where he held the role of executive director, and senior business development manager.

In Europe, Alexandra Joseph and Luke Spencer-Wilson have as sales directors for European asset managers in Europe, based in London.

Spencer-Wilson joins HSBC from BNY Mellon. Prior to this, he held a senior operations and client service management roles at UK based hedge fund ISAM and Merrill Lynch prime brokerage.

Joseph joins from Northern Trust. Prior to this, she held a number of business development roles in the financial service industry including Mirabaud Securities and Gartmore Investment Management.

Custom House Global Fund Services has opened a New York office and expanded its business development team in anticipation of growth in the region.

Joining Custom House in New York is Peter McCulloch and Anthony Stanziano, both as commercial directors. Both positions will report to Scott Price, head of sales for the Americas, who is located in the company's US headquarters in Chicago.

Internally, Greg Colanto has also been promoted to commercial director in Chicago.

McCulloch was most recently at Lombard Street Research, where he was a senior sales manager responsible for selling institutional research to hedge funds, asset managers, and mutual funds.

Prior to Custom House, Stanziano worked at Deutsche Bank for six years, where he served as a relationship manager within the Prime Brokerage business.

Kane LPI Solutions has hired Matthew Charleson as head of LPI Fund Administration Services, with immediate effect.

Based in the firm's Bermuda head office, Charleson will focus on product development and business growth in the fund administration arena.

Allfunds Bank has appointed Bradley Lewis to lead the commercial activities of its UK office and to help spearhead its expansion.

The appointment of Lewis as head of sales and relationship management in the UK and Ireland follows the announcement earlier this year that Stephen Mohan was joining Allfunds to head UK and Ireland.

Lewis began his career with CrestCo and Euroclear where he became a sales and relationship manager and he chaired the Euroclear UK Retail Market Liaison Group.

Allfunds Bank is a European business to business fund platform with more than €100 billion of AUA.

HSBC Securities Services (HSS) has made three new appointments in sales for North America and Europe.