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Financial Conduct Authority: the buy side should question custodians

Asset managers must continue to hold custodian banks to account to ensure that they are getting the services they expect at the correct price, according to the UK Financial Conduct Authority's (FCA) director of supervision.

Clive Adamson spoke at the FCA Asset Management Conference in London on 30 October, explaining that the authority is looking at custody banks' ancillary services.

The FCA has assessed the importance of these services to custodians' business models in the UK and whether their reliance on them and "an apparent lack of transparency" might lead to inappropriate behaviour.

Adamson explained: "This is important, given that for some of these banks, ancillary services represent some 40 percent of their revenues, without which it is likely that their core offering of custody and fund administration would be unsustainable at current prices."

He said that the FCA did not find inappropriate behaviour taking place, concluding that standards and transparency across the industry have improved over the past few years.

"This has been primarily driven by competitive pressures leading to improvements in services, and by clients being better informed about the potential risks and having better data."

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BNP Paribas closes acquisition of Commerzbank

BNP Paribas in Germany has successfully completed on the contractual closing of its acquisition of Commerzbank's custody business

The French bank agreed to buy the "depotbank" business in July. The majority of the Commerzbank employees have agreed to join BNP Paribas and will move to its premises in 2014.

This will bring the number of BNP Paribas Securities Services staff employed by the bank in Germany to 340.

BNP Paribas Securities Services is the largest depotbank in the German market with more than €200 billion in assets under administration.

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MaplesFS opens office in Singapore

The Maples group is expanding its presence in the Asia Pacific region with the launch of MaplesFS in Singapore. This move demonstrates the group's commitment to the region, where it has had a presence since 1994.

MaplesFS is an independent global provider of fiduciary, accounting and administration services.

The Singapore office will focus on providing middle office, data aggregation and reporting, and fund administration services to Singapore domiciled funds.

The team will also service Cayman Islands funds that require on the ground support from Singapore. Eastern Fong, regional head of fund services, will lead the Singapore team.

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FCA: buy side should question custodians

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But he warned the asset managers in attendance that they need to continue asking questions if custody banks leave them unsatisfied, despite improvements in service levels and the introduction of more transparent products.

"You need to continue to hold the custody banks to account to ensure you are getting the services expected at the correct price, just as you would do for any third party provider."

In the US, several investment advisory firms were recently sanctioned for violating a custody rule that requires them to meet certain standards when maintaining custody of their client's funds or securities.

Securities and Exchange Commission (SEC) investigations following referrals by agency examiners found that New York-based Further Lane Asset Management, Massachusetts-based GW & Wade and Minneapolis-based Knelman Asset Management Group failed to maintain client assets with a qualified custodian or engage an independent public accountant to conduct surprise exams.

Andrew Ceresney, co-director of the division of enforcement, said: "The heart of the relationship between advisers and their customers is the safety of client assets. Surprise exams or procedures associated with audited financial statements provide additional safeguards against assets being stolen or misused."

"These firms failed to comply with their custody rule obligations, and other firms who hold client assets should take notice that we will vigorously enforce such requirements."

According to the SEC's order against GW & Wade, the firm was subject to the custody rule in part due to its practice of using pre-signed letters of authorisation and then transferring client funds without always obtaining contemporaneous client signatures, among other violations of the federal securities laws.

In a statement, GW & Wade said that the company is "committed to upholding the highest ethical and legal standards in the industry".

"As soon as we discovered there were issues, we responded promptly with actions to address them"

It added: "We also are taking another step required under the terms of the settlement: engaging an independent compliance consultant to conduct a review of our custody arrangements and billing procedures. The consultant will assist us in identifying and implementing additional steps for other enhancements to our compliance programme. We are glad to be putting this matter behind us."

BNP Paribas closes acquisition of Commerzbank

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The acquisition brings heightened expertise in the UCITS segment and new services for real-estate funds.

The head of BNP Paribas Securities Services in Germany and Northern Europe, Gerald Nöltsch, said: "The deal is running to plan. We are delighted to welcome our new colleagues and appreciate the additional expertise they bring."

MaplesFS opens Singapore office

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Scott Somerville, MaplesFS CEO, said: "We are excited about the opportunity that Singapore creates as a jurisdiction, particularly as it relates to business arising from family offices, institutional investors, hedge funds and private equity."

Computershare snaps up Olympian TA business

Olympia Financial Group will sell its transfer agency and corporate trust assets to Computershare Trust Company of Canada for $43 million.

Olympia Financial Group conducts most of its operations through its wholly owned subsidiary Olympia Trust Company, a non-deposit taking trust company.

ASTINBRIEF

Latest news

OCC cleared contract volume in October hits 400 million

Latest news

Standard Chartered now has a corporate actions platform in 39 markets

Ireland insight

A host of factors are driving the asset management success story in Ireland

Funds processing

Milestone's Geoff Hodge reveals how to unlock hidden efficiencies in funds processing

People moves

Lou Maiuri leaves his role at BNY Mellon to move to State Street, and more

It is licensed to conduct trust activities in Alberta, British Columbia, Saskatchewan, Manitoba, Quebec, Newfoundland and Labrador, Prince Edward Island, New Brunswick and Nova Scotia.

The firm administers self-directed registered accounts, acts as a registrar and transfer agent for public and private issuers, and offers foreign currency exchange services.

After paying certain executive management profit sharing entitlements and closing costs, the corporation anticipates receiving after-tax net proceeds of approximately $29.6 million.

Pursuant to the agreement, the purchase price may be reduced post-closing by an amount up to $7.5 million in the event that net revenue lost from terminated client agreements exceeds net revenue gained from new business agreements during the one-year period following the closing date.

The agreement also provides that $2.5 million will be held in escrow for a period of one year as security for any net revenue adjustment, working capital adjustment or indemnification obligation of the corporation in favour of Computershare required under the agreement.

Rick Skauge, president and CEO of the corporation, said: "While it is always hard to part with such dynamic and talented employees, management believes that Computershare is the best entity to service our clients in an industry that has consolidated in recent years and is moving toward more technologically advanced platforms."

"We are truly grateful for the dedication and service of our transfer agency and corporate trust employees and we are excited for the opportunities that a global company like Computershare may be able to offer them."

Closing of the transaction is subject to certain conditions, which are anticipated to be waived or satisfied by mid-December 2013.

Positive outlook on European insurance sector

Rising equity markets and long rates are set to support growth within the European insurance sector in the coming months, according to S&P Capital IQ.

Its report shows that rising equity markets are a positive for the sector on several fronts, including shareholders' funds, participating funds and higher fees received from assets under management.

Roderick Wallace, equity analyst at S&P Capital IQ, said: "We are becoming more positive on European insurance markets, where we have seen signs of recovery, following weakness in Europe—France, Spain and Italy in particular."

S&P Capital IQ observes signs of recovery in life insurance markets, initially in the US and now increasingly in Europe.

Following a slow expansion of economic activity during the remainder of 2013, growth generally is set to become more robust in 2014 and 2015, according to European Commission projections.

Markit and Eze team up for pre-trade forecasts

Markit and Eze Software Group, a provider of global investment technology, have integrated Markit's Transaction Cost Analysis product into Eze Software's order management system.

Through the integration, Eze Software clients can use Markit's TCA product to view pre-trade forecasts alongside their open orders in the Eze OMS trading blotter.

Following the trade, the customer's data is automatically processed by Markit's TCA service to provide actionable trading insights that help reduce trading costs and identify liquidity.

Eze Software customers are able to access two Markit pre-trade estimates within the Eze OMS trading blotter. These forecast the market impact and estimated standard deviation of the planned trade to show the expected cost of implementing the position.

Customers can subscribe to the full Markit pre- and post-trade product set directly in order to receive additional reporting and analysis.

Tim Sargent, managing director and head of equities at Markit, said: "In addition to the efficiency benefits this brings, customers will be able to act on trading insights to reduce their trading costs and manage the cumulative price impact of their most complex orders."

Chris Corvi, a director of project management at Eze Software, said: "This integration provides customers with high quality trading analytics and valuable insight into the impact of trades on the market to help them optimise trading decisions and reduce associated costs."

Kas Bank sees 4 percent growth in AUA

Securities service provider KAS BANK has announced profit growth of 7 percent, despite a weak Q3.

Its assets under administration increased by 4 percent to €320 billion. The commercial results in the institutional market are increasing modestly, while the transaction market improved slightly compared to 2012.

Total profits increased to €11.7 million, up 7 percent compared to 2012.

The introduction of the European Market Infrastructure Regulation contributed to growth in turnover to a limited extent.

Interest income fell approximately 20 percent short of the previous year, in line with expectations.

There is little prospect of an increase in the short-term interest rate, which means the bank will still suffer from the unfavourable short-term interest rate for the time being.

OCC cleared contract volume hits 400 million

OCC's cleared contract volume in October reached 407,220,455 contracts, representing a 24 percent increase from the October 2012 volume of 327,576,945 contracts.

It marks the first time since August 2011 that cleared contract volume has hit 400 million contracts in a single month and the fourth time in OCC's history.

OCC's year-to-date total cleared contract volume is up 4 percent from 2012 with 3,526,716,786 contracts.

Exchange-listed options trading volume reached 401,726,200 contracts in October, a 24 percent increase from the 324,329,913 contracts traded in the same month in 2012.

Average daily options volume in 2013 is 16,476,782 contracts, 3 percent higher than the same time last year.

Year-to-date total options trading volume is up 4 percent with 3,476,600,927 contracts in 2013.

OCC cleared 5,494,255 futures contracts in October, a 69 percent increase from October 2012.

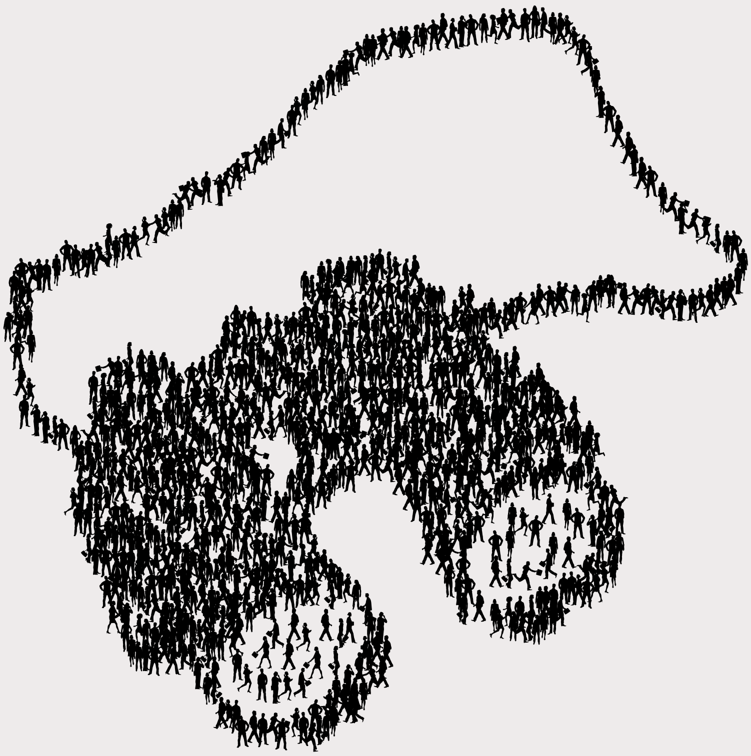
Its average daily cleared futures volume is up 66 percent from 2012 with 237,516 contracts. Year-to-date total cleared futures volume is up 67 percent from 2012 with 50,115,859 contracts.

OCC's securities lending central counterparty activities saw a 26 percent increase in new loans from October 2012, with 97,472 transactions last month.

Year-to-date stock loan activity is up 28 percent from 2012 with 1,054,624 new loan transactions in 2013. The average daily loan value at OCC in October was $70,720,228,408, marking the highest average notional value to date.

OCC also cleared 5,494,255 futures contracts in October, a 69 percent increase from the same month in 2012.

Its average daily cleared futures volume is up 66 percent from 2012 with 237,516 contracts. OCC's year-to-date total cleared futures volume is up 67 percent from 2012 with 50,115,859 contracts.



Miami bank chooses lightning for fixed income

The Miami-headquartered bank Sunstate has selected Lightning to support its fixed income trading, funding and safekeeping services.

Lightning is a service offered by the firm SS&C Technologies.

In order to grow its investment and safekeeping business and further enhance the services it provides to private banking clients, Sunstate needed a low cost, easy-to-implement solution that would allow staff to focus on business growth rather than administration.

SS&C's Lightning will help Sunstate expand this area of its business while keeping costs to a minimum, said a statement.

"Lightning will allow us to automate tasks such as administrative processing, keeping information on all our custodians, issuing statements, confirmations, 1099s and performing repo pledge processing, all on an integrated SaaS platform," said Fabricio Macastropa, vice president of investment operations at Sunstate Bank.

The decision to implement Lightning builds on Sunstate's existing relationship with SS&C as it already uses SS&C's PortPro for bond accounting, reporting and analytics.

"Sunstate was looking for a true technology partner to help it grow its business. This project further strengthens our strong relationship and we are confident Lightning will deliver significant productivity gains as well as great customer service, supporting the bank in its future growth," said Bill Stone, chairman and CEO of SS&C Technologies.

CGD Securities picks SunGard to grow Brazil business

CGD Securities, a Brazilian division of Portuguese-based bank Caixa Geral de Depósitos, has selected SunGard's hosted Valdi solution to help grow the firm's business.

The firm believes that adopting Valdi will improve trading efficiency and its access to Brazil's financial markets.

CGD Securities chose SunGard's Valdi Market Access to help the business grow through easy access to Brazil's BM&FBOVESPA markets.

In addition, CGD will use Valdi to help achieve new efficiencies in their trading operations by taking advantage of a hosted solution. This reduces the need for CGD Securities to invest further in infrastructure.

Alexis Machado, IT superintendent at the firm, said: "Our ambitious development plans required CGD Securities to look for the right solution that combines a high level of local expertise and a strong overall knowledge of international financial markets."

SunGard's Valdi Market Access provides CGD Securities with a fully hosted solution, allowing us to focus on growing our business while leaving the day-to-day operation management to SunGard's market specialists."

The hosted solution helps to facilitate integrated access to more than 110 trading venues worldwide, with a particular emphasis on Latin America, where SunGard's trading solutions have been present for almost 15 years.

Standard Chartered releases corporate actions platform

Standard Chartered now has a corporate actions platform in all 39 markets in its securities services network, with the aim of capturing investors and intermediaries across Asia, Africa and the Middle East.

With the new platform in place, the bank offers "sophisticated asset servicing capabilities consistently across its network, helping its clients better manage their corporate actions processes and reduce associated risks, thereby allowing them to focus on pursuing investment growth opportunities," said a statement.

The platform aims to provide a high level of automation and adherence to global market standards with new capabilities that simplify day-to-day corporate actions processing and minimise risk exposure.

"Its high flexibility allows adjustments to client specific preferences, such as tailoring methods and timing of announcement distribution and managing upcoming deadlines through a consolidated dashboard," said the statement.

Chapman's Eye on the market

Back to basics

No, the headline does not refer to the highly acclaimed album from that master warbler and wordsmith Billy Bragg, but a reminder of some of the dos and don'ts of interview procedure and etiquette. Recently, I've uncovered some rather unsettling anecdotal evidence that interviewees for even some very senior roles are failing to follow the established etiquette for before, during and after interviews, so at the risk of being accused of teaching granny to suck eggs, what follows is a brief guide to some elements you should consider.

Firstly, the concepts of the 'six Ps'—and I hope I don't have to explain that—remains true. Time spent in researching the firm, the division, the role, the hiring manager/interviewer and their reporting line is never wasted, neither is getting up to speed on the industry (hopefully you will be already, to a large extent), the specific segment, the competitors and the trends.

Secondly, prepare oneself fully for the widest possible range of competency-based questions you will invariably be asked—use real-world examples to back up your responses wherever possible—and practice structuring your answers into a series of 'bite-sized' responses of no more than three to five minutes each to prevent veering off-piste and entering rambling territory. At HornbyChapman, we supply candidates with multiple examples of relevant competency-based questions, which I'd be pleased to share upon request.

Prior to the interview, find out exactly where you'll be meeting and aim to be in reception at least 15 minutes early to prevent arriving late through not locating the building in time or not appreciating queues at reception. No-one likes to see a candidate perspiring as that creates the perception of nerves or a lack of confidence.

During the interview, bear in mind that it is a two-way arrangement so do feel free to ask any and all questions—within the limits of professionalism—of the interviewer, including the firm's strategy, investment required for the segment, product gaps, and management support, as well as enquire as to career progression within the firm, potential challenges to the role and the cultural/working environment within the firm. Leave questions on remuneration either to the HR interviewer or to your recruiter, if at all possible.

Finally, a timely and appropriately worded thank-you note is invariably well received. Your recruiter should be able to supply the relevant email details if you didn't receive them during the interview itself.

Of course, within the confines of a short column it's difficult to cover every angle that should be considered, but as ever I'd be delighted to cover any questions offline. Happy—and successful—interviewing.

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

Paul Chapman, managing director, HornbyChapman Ltd

Mandate Mangle

Maitland has been appointed to provide Eskom Pension and Provident Fund (EPPF) with its investment administration and management platform, which the company believes will offer greater efficiency in the management of its assets.

EPPF is one of the largest defined benefit pension funds in South Africa. It manages more than $9.7 billion on behalf of approximately 88,000 members.

The appointment of Maitland introduces changes to the EPPF's asset administration and the company believes that this new partnership will enable it to improve efficiencies.

Sbu Luthuli, CEO at EPPF, said: "We are focused on providing maximum returns for our members and therefore, efficiency is an important enabler. In Maitland, we have found a partner that truly understands this, which puts us in the strongest possible position to deliver the best returns with greater efficiency."

Following a rigorous selection process, Maitland was appointed to partner with EPPF in June 2013. The project took just short of 12 weeks to complete.

The EPPF deal brings the total value of assets and liabilities administered by Maitland to more than $200 billion.

The National Local Government Pension Scheme (LGPS) has appointed **BNP Paribas** to provide custody services.

The bank was selected as one of six official providers in the procurement framework.

The development opens the door for the bank to the UK LGPS market, which has 102 funds and £180 billion in assets under management.

Annalisa Bicknell, head of sales and relationship management for institutional investors at BNP Paribas UK, said: "We are delighted to have been selected as one of the custody providers for this important segment of the UK pension fund market."

BNP Paribas recently announced that it had won a mandate to provide global custody and valuation reporting services to Oxfordshire County Council's £1.5 billion pension fund.

BNP Paribas Securities Services has also supported the successful launch of the first UCITS-compliant, actively managed Vietnam equity fund.

The fund is managed by Dragon Capital, which is one of the largest fund managers in the IndoChina market with around $1 billion in assets under management. Launched in September, it is the first actively managed UCITS-compliant equity fund that opens Vietnam's blue-chip companies to global investment.

Dominic Scriven, Dragon Capital's CEO, said: "This is an exciting time for the fast growing IndoChina region. Our strategy for aggressive regional and international expansion is possible because we work with partners like BNP Paribas who provide us with the essential support, scalability and flexibility that suit our ongoing growth plans."

Following a competitive tender, BNP Paribas Securities Services designed and rolled-out a tailor-made fund solution including global custody, fund accounting, transfer agency and trustee services, for Dragon Capital's Vietnam fund.

The investment objective of the Dublin- domiciled fund is to seek medium- to long-term capital appreciation of its assets.

Mostapha Tahiri, head of BNP Paribas Securities Services in Singapore, who is also the bank's Asia head of asset and fund services, said: "[Dragon Capital's] fund distributors will benefit from consistent service and fast turnaround time from our local client support team and global specialists who understand the needs of Asian fund managers. We look forward to helping Dragon Capital grow their assets as they expand around the region and then to Europe."

Mitsui Sumitomo Insurance has appointed **Northern Trust** to provide custody and fund administration services to its $1 billion in assets.

The appointment reflects the bank's aim to establish market strength in the insurance sector, and brings its total assets under custody for insurance clients to more than $500 billion.

Although the Mitsui Sumitomo deal represents a small part of Northern Trust's insurance custody business, the appointment follows a string of high profile mandates, including the recent New Zealand Superannuation Fund deal.

Peter Glynne-Percy, chief investment officer of Mitsui Sumitomo Insurance in London, said: "We were looking for an established provider with a strong track record in supporting insurance companies of our size and complexity. Northern Trust, through their range of specialised solutions, demonstrated that they could not only support our requirements, but also help improve the efficiency and effectiveness of our operation by taking away the administrative burden of compiling and cleansing data."

In addition to custody and related services, Mitsui Sumitomo Insurance required a centralised solution to record and store information from its individual investment managers in one location and integrate this data into the corporate general ledger.

Andrew Melville, head of insurance product and strategy for Europe, the Middle East and Africa at Northern Trust, said: "Particularly as insurance companies face increasing regulatory and reporting requirements, we see a heightened demand for solutions around data compilation and aggregation."

Irish funds industry reaches new heights

Following a period of strong growth, AST takes a look at the factors driving the asset management success story in Ireland

DANIEL JACKSON REPORTS

An Irish funds industry delegation has announced that Ireland is now servicing a record number of assets.

Ireland now has €2.5 trillion in assets under administration, an all time high for the country. This represents a remarkable 43 percent of global hedge fund assets.

This is welcome news for a country that has experienced a protracted period of economic inertia. The financial crisis of 2008 set the Irish economy back by the best part of a decade.

Against this background, asset management is an Irish success story. The sector has grown every year but one since records began. The industry now hosts 915 fund managers from 50 countries, and employs more than 12,000 people throughout the country.

What has driven this phenomenal growth? The 12.5 percent corporation tax rate in the country goes some way to explaining its success as a fund domicile.

It is significantly lower than competing nations, and especially low when viewed alongside comparable economies. But the low rate of tax does not tell the whole story. In real terms, the headline tax figures in other states are not always as generous as they appear.

At a roundtable in London, which was hosted by the Irish Funds Industry Association (IFIA), Dierdre Power, tax partner at Deloitte, said: "Ireland's corporate tax system is open, transparent and all the rules are clearly set out in our national law."

"Our stable, low 12.5 percent corporate tax rate is one of the key planks or cornerstones of Ireland's strategy for attracting foreign direct investment, including the funds industry. It is a key factor, but not the only one, in creating employment and generating economic activity."

She added: "Other factors that make Ireland an attractive location for the funds industry include the fact that we have a well educated workforce, the expertise of dealing with a range of fund structures and strategies, the competitive cost base, the appropriate legal and regulatory framework, and our technological expertise."

The corporation tax rate is undoubtedly low in Ireland, but Power believes that it is justified.

"The transparency of Ireland's 12.5 percent tax rate means what you see is what you get. There are no 'special deals'. You must have substance and activity here to claim the 12.5 percent rate. Ireland plays fair, but it plays to win and we are committed to continuing to compete fairly in order to attract new business."

Figures from the Central Bank of Ireland show that in the year to date, the net asset value in UCITS funds increased by 4 percent.

Another factor driving success in the industry is the well-developed regulatory infrastructure in Ireland. The IFIA has made a significant contribution to legislators in the past year, on subjects ranging from money laundering to financial reporting.

With a raft of legislation and regulation on the horizon at the European level, firms are devoting a lot of their resources, particularly staff, to this area of their business. Is this happening at the expense of other areas of business practice?

Furio Pietribiasi, chairman of the Irish Association of Investment Managers, said: "The view of the association is that changes in legal and tax regulations in Europe and globally must be considered as a structural part of the business environment, because they are here to stay and nobody can stop them."

"In such a context, all asset managers have to deal more or less with the same challenges, so the real competitive advantage that a location/domicile can offer is the access to those elements that are transformational and enable business growth, such as talent, innovation, knowledge/intellectual capital, and distribution intelligence. We believe that Ireland can offer all of that and for this reason, Ireland should be extremely attractive to asset managers that are operating from the US and want to tap in the European market."

Perhaps most importantly of all, Citi-commissioned research suggests that Dublin has the highest quality of "human capital" in the world. This conclusion was reached using statistics ranging from the size of the working age population to the ease of hiring foreign nationals. AST

The secret garden

Milestone's Geoff Hodge reveals how to unlock hidden efficiencies in funds processing—and the first step lies in its definition

Efficiency has been at the top of the funds industry agenda for more than a decade. Technology vendors and outsourced service providers have flourished on the back of efforts to improve output while reducing costs.

Naturally, much of this effort has been directed at core processes and competencies such as fund accounting, transfer agency and investment operations or 'middle office'. But this has left an important group of activities that are not serviced by core platforms. These are the activities that can be collectively referred to as fund processing, also known as fund administration in the US, and which have been left to fragmented and often chronically inefficient spread sheets or manual processing.

But as the industry matures, the margins are no longer there to pay for inefficient practices or to cover the costs of operational risk. With regulators becoming increasingly aggressive about robust and transparent infrastructure, and placing a premium on fiduciary responsibilities and investor protection, a growing number of funds and administration businesses are starting to look again at these remaining pools of inefficiency.

And with good reason. Fund processing is an emerging focus area for business transformation, with the potential to yield the highest immediate return on technology investment. Milestone Group's analysis shows that these functions tie up approximately 40 percent of all middle and back-office staff efforts, and represent about 70 percent of the operational risk. As these figures demonstrate, the potential of the opportunity is significant.

A problem of definition

One of the reasons that fund processing has evaded the efficiency spotlight for so long is that it is something of a grab-bag of processes, with no real agreement about what it consists of.

Often, the way these types of activities are defined crosses over with fund accounting and transfer agency activities, further hindering clear focus on the opportunity. More recently, these functions are often best identified as the key functions that are 'left over' after a firm has outsourced a portion of its operations.

However, it is possible to view fund processing as a distinct area of activity, in which a number of key functions can be identified. The list can be lengthy, but includes NAV validation, often striking NAVs or unit prices across more complex fund of fund or investment structures, cash allocation and rebalancing for multi-tiered investment structures, tax and fund expense forecasting and expense cap management, and more. As this list alone indicates, fund processing is often a breeding ground for fragmentation, inefficiency and operational risk.

Fund processing

- Validating the daily net asset value (NAV) and often striking NAVs or unit prices across more complex fund of fund or investment structures.
- Cash allocation and rebalancing for multi-tiered investment structures.
- Processing fund distributions and settling distributed income within multi-tiered investment structures.
- Reconciliation of holdings, transactions and cash between internal systems and external service providers and IBOR/ABOR reconciliations.
- Managing data connectivity both within the client environment and to industry-wide counterparties and service providers.
- Tax and fund expense forecasting and expense cap management.
- Fee and rebate management to support recovery of fund distributor's fees from asset managers.
- Production of financial statements.
- Regulatory reporting.

The second problem is the widely held, but erroneous, belief that automating this array of functions will require either a series of point solutions that will then need to be connected, or constructing a new all-encompassing enterprise-level platform, with all the attendant disruption that this inevitably incurs.

Understandably, neither of these options is popular. But firms increasingly recognise that there is a third way. These disparate functions can be viewed as a single set of fund-related activities with a common set of challenges and opportunities.

They often share common data and require an understanding of the same fund structure; they may also be interdependent in their operational execution. If thought about in the right way, these processes are not as diverse as first appears, and can therefore be automated on a single platform that exploits their common features, and allows functions to be added sequentially over time but—critically—offers a much simplified operational design. From there it is a short step to finding solutions that have the appropriate set of characteristics to achieve this.

Process v production management

If identifying fund processing is the first step to making it more efficient, the next step is a little less obvious. Not least because part of the solution can be found in the archives. In the 1970s, Bank of America hired an executive from Chrysler, the car-manufacturing giant. The reason was that he knew how to design processing systems when bankers and fund managers didn't. By importing the latest thinking about process design and quality management from manufacturing, the banks themselves saw improvements to their own workflow.

Fast-forward to the 21st century, and banks and other financial institutions habitually apply Six Sigma principals and other techniques to improve their process management. But in the intervening years, manufacturers have continued to push down the real costs of finished goods year on year through effective production management—which offers a different perspective on efficiency, and requires a step change in thinking about technology and its deployment.

To date, financial institutions have delivered efficiency through effective process management. They have constructed logical sequential processes—like Chrysler's production line–along which various functions will be performed. By looking at one area of their workflow, and cutting the fat from that, before moving on to the next area and the next, each individual process in the workflow has become as efficient and streamlined as possible.

But this method has maxed out. For the vast majority of firms, the piecemeal approach of best-of-breed process management has been stretched to its elastic limit–and it isn't going to deliver any more.

This is where production management comes into play. Rather than taking this incremental approach and looking at individual processes, production management looks at all those processes together and how they interact with each other. Where process management develops an efficient workflow, production management zooms out to see what else is going on. Rather than attempting to fine-tune the production line for ever-diminishing returns on effort, it looks at the interaction of a variety of processes to unlock significant new efficiencies.

In our car manufacturing plant, process management originally delivered a carefully calibrated series of sequential and simultaneous activities. But production-management thinking has encouraged the development of a single production line that can be tooled up such that it can produce a convertible one day, a station wagon the next and an SUV the day after.

When translated to fund processing, a production management mind-set offers the same flexibility: a single platform that can value funds, allocate cash, and process income according to demand. Where process management says, "Build me the cheapest tool to handle allocations", production management says, "Get me the cheapest portfolio of tools to process all potential fund activity".

Thinking straight, thinking strategic

In other words, unlocking the efficiency gains from fund processing and its varied functions is very much about getting the right mind-set and then making sure that technology supports that approach.

A production management mind-set enables a firm to set out on a more strategic path towards its ideal operating model and make better decisions even within the same budget parameters, resource constraints and short-term priorities.

The difference is that even as change is rolled out in manageable increments, short-term decisions will not limit the firm's ability to meet its long-term strategy, or divert it from its chosen path. It gives the firm the confidence of knowing that any processes that may need to be reengineered, added or automated in the future can be dealt with in the same platform.

That opens up a much wider pool of opportunities for generating efficiencies. It also means that the firm is no longer constrained by the need to join up numerous point solutions or 'stage' data between different systems–the equivalent of pouring concrete over a production line.

Within a production management framework, the real difficulty isn't about designing complex workflow, and fantastical architectures that are comprehensible only to highly paid consultants. In fact, given the experience of the sector as a whole, process design can be remarkably straightforward.

The hard bit is actually adopting this new way of thinking in the context of the bigger picture. It is about looking at the business's future technology requirements in terms of the manageability of business change, rather than manageability of system deployment: an important distinction that is often lost in rush to meet the newest development in the market. Once that is done, even the most disparate and complicated fund processing operation becomes straightforward—and the latest efficiency frontier can be conquered. **AST**

Geoff Hodge
CEO
Milestone Group

Industry appointments

Lou Maiuri has left his role as executive vice president and deputy CEO of asset servicing at BNY Mellon to move to State Street, sources have confirmed.

Maiuri is taking over as head of securities finance at State Street. Nicholas Bonn, the bank's current interim chief, is stepping down, but will continue to lead its transition management and portfolio solutions businesses.

Maiuri will be State Street's executive vice president and head of securities finance.

At BNY Mellon, Maiuri was also head of the global financial institutions group within the asset servicing business, and oversaw the alternative investment services group and the asset servicing Latin American business.

Henry Capra has joined J.P. Morgan as head of custody and funds services for Australia and New Zealand. He will be based in Sydney.

Capra will be responsible for all aspects of custody and funds services in Australia and New Zealand, including the overall strategic direction of the business.

He takes over from **Mark Kelley**, who has led the business since December 2011.

Kelley will move into a full-time regional role as the Asia Pacific head of custody and fund services for J.P. Morgan's investor services business.

He will also be based in Sydney. Capra will report to Kelley.

Capra has experience in business integration and enhancement, and product and technology development, which he gained in senior leadership roles with financial institutions, including his most recent position as COO at Blackrock Investment Management in Australia.

Northern Trust has made two senior appointments in its Dublin-based transfer agency team. **Susan Bradley** and **David Price** join as head of transfer agency and head of client servicing respectively.

In their new roles, Bradley and Price join Northern Trust's dedicated team of transfer agency experts in Dublin and Limerick, supporting multiple fund types across multiple jurisdictions.

Bradley joined Northern Trust from Citi Bank Europe, where she was most recently head of transfer agency product for Europe, the Middle East and Africa.

Prior to joining Citi in 2002, and during her 15-year career in financial services, she also worked for Hemisphere (subsequently acquired by BISYS) where she was responsible for setting up a dedicated transfer agency team.

Price has worked in both Ireland and the Channel Islands for various companies including RBC Dexia, CIBC Fund Managers and Investors Bank & Trust Company.

He joined Northern Trust from J.P. Morgan in Ireland where, as a senior client servicing account manager, he was responsible for setting up the client servicing model and training programme for client servicing.

BT has hired **Tanuja Randery** as president for strategy and marketing for its global services division, reporting to CEO Luis Alvarez.

Randery joins BT from Colt Group, where she worked for the past nine years, most recently as CEO of MarketPrizm, a global trading infrastructure and market data company acquired in 2011.

Prior to joining Colt, Tanuja was vice president of strategy at EMC Corporation, after seven years with McKinsey as a consultant.

Edward Glyn is joining Calastone as managing director and head of global client relationship management. He will be based in London and report to Julien Hammerson, chairman and chief executive of Calastone.

Glyn joins from SWIFT where he was most recently head of funds business across Europe, the Middle East and Africa.

Prior to joining SWIFT, Glyn held commercial and strategic roles at Investia, ERI Bancaire, Thomson Financial and LVMH.

In his new position, Glyn will be responsible for leading the development and execution of Calastone's global client strategy. **AST**

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