AST
ASSETSERVICINGTIMES

ISSUE078
27.11.2013 WEDNESDAY
assetservicingtimes.com

Custody buzz

Executives from six of the busiest custodians reveal what's in store for 2014

Deutsche Bank

What is a global custodian?

KPDW

The new EMIR trade repository

Turquoise

A trading platform on the up

Calastone

The mission to do away with faxes

"Converting information to intelligence"

MYRIAD, a secure, robust and proven technology platform for Network Management teams

MYRIAD Group Technologies Ltd, 65 London Wall, London, EC2M 5TU, UK +44 20 3470 0320 www.myriadgt.com

bravura
solutions

Financial software solutions that deliver

Bravura Solutions is a leading global supplier of wealth management and transfer agency applications, delivered on premise or on demand. We specialise in administration and management for superannuation and pensions, life insurance, investment, private wealth & portfolio administration, transfer agency and financial messaging.

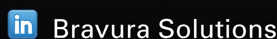
Core to our offering is enabling of operational and cost efficiency, speed to market for new products, and better service to end customers. This is accomplished through modern technology, rich functionality and expert professional services.

- transfer agency
- financial messaging
- life insurance
- investment
- pensions
- private wealth & portfolio administration

For more about how we can help your business contact us.

info@bravurasolutions.com

@BravuraFinTech



Bravura Solutions

bravurasolutions.com

Bravura Solutions Limited ABN: 15 111 148 826

Australia | New Zealand | Hong Kong | Thailand | India | United Kingdom | Luxembourg | Poland | South Africa

Moody's revises ratings of eight largest US banks

Assumed government support in the wake of the US Dodd-Frank Act has led Moody's to conclude its review of eight large US banking groups in a mostly positive light.

Moody's Investors Services acted on the systemic support assumptions incorporated in the ratings of the eight groups as follows: It did not change the support assumptions for bank-level senior debt; removed all uplift from US government support in the ratings for bank holding company debt; reduced loss severity assumptions for bank holding company debt; and reduced uplift for bank-level subordinated debt.

Moody's lowered the standalone baseline credit assessments (BCA) of BNY Mellon and State Street Bank and Trust, both to "a1" from "aa3". This reflected "long-term profitability challenges facing these highly-rated custodian banks," said a statement.

But the rating agency also raised the standalone BCAs of both Bank of America and Citibank to "baa2" from "baa3", to reflect positive changes in the banks' credit profiles including declining legacy exposures and strengthening capital.

Based on Moody's updated views on US government support and standalone bank considerations, Moody's lowered by one notch the senior holding company ratings of Morgan Stanley, Goldman Sachs, J.P. Morgan, and Bank of New York Mellon. Moody's confirmed the senior holding company ratings of Bank of America, Citigroup, State Street, and Wells Fargo.

Following these actions, the rating outlooks are stable for all eight bank holding companies and their main operating subsidiaries. "We believe that US bank regulators have made substantive progress in establishing a credible framework to resolve a large, failing bank," said Robert Young, managing director at Moody's.

"Rather than relying on public funds to bail-out one of these institutions, we expect that bank holding company creditors will be bailed-in and thereby shoulder much of the burden to help recapitalise a failing bank."

Extra-large Swiss asset manager on the horizon

The merger of a Julius Baer subsidiary and a wealth management group will create one of the largest independent asset management companies in Switzerland.

The transaction between Infidar Investment Advisory, part of the Julius Baer Group, and WMPartners Wealth Management, is expected to be completed in Q1 2014.

Established in 1954, Zurich-based Infidar Investment employs a staff of 26 and has been led by Markus Gonseth since 2007.

WMPartners Wealth Management Ltd, which also has 26 employees and is headquartered in Zurich, was set up in 1971 and is owned by its three partners Willi Leimer, Balthasar Meier and Heiner Grüter.

Both companies are already among the leading independent asset managers in Switzerland.

In a first step, the Julius Baer Group acquired the shares in WMPartners, and in a second step Infidar will merge with WMPartners. The parties have agreed not to disclose the terms of the transaction.

Employing around 50 staff and managing client assets worth over CHF 4 billion, the new company will be one of Switzerland's largest independent asset managers and will work together with around 30 custodian banks.

Once the transaction is complete, Heiner Grüter, currently partner and CEO at WMPartners, will head up the new company as its CEO.

All of the partners in both companies will continue to have a hand in operations after the merger has gone through, with Markus Gonseth, Willi Leimer and Balthasar Meier guaranteed a seat

ASTINBRIEF

Latest news
ICE snaps up Singapore Mercantile Exchange
page4

Latest news
KDPW AND REGIS-TR receive ESMA approval
page6

Mandate mangle
Citi scores three new mandates this month
page10

REITs lending
With interest rates down, firms are examining their capital options closely. Is securities lending a viable option for REITs?
page24

New year
Six of the busiest global custodians reveal their plans for 2014
page27

People moves
Jack Inglis joins AIMA from Barclays, BNY Mellon hires in Japan, and more
page34

Supporting
your Business, Globally

Whether you are a mutual fund manager, insurer, platform provider, product manufacturer or life company, you can rely on our market leading, outsourced administration and technological capabilities to support your business.

To find out more, visit us at **www.ifdsgroup.com**

International Financial
Data Services

on the new company's board of directors.

"The two companies complement each other perfectly. We will be able to guarantee our clients the surest possible continuity while also being even better placed to meet our existing and future client requirements with our combined strengths," said Heiner Grüter.

"The new company will remain completely independent with regard to investment decisions and choosing its custodian banks. At the same time, it will be able to handle the increasingly complex requirements that we are seeing nowadays, while also enjoying the backing of a strong partner in the form of Julius Baer," said Yves Robert-Charrue, head of independent asset managers and global custody at Bank Julius Baer.

ICE snaps up Singapore Mercantile Exchange

IntercontinentalExchange Group, the global network of exchanges and clearinghouses, has made a definitive agreement to acquire Singapore Mercantile Exchange (SMX) in an all-cash transaction.

The acquisition will add to ICE's current network of markets and clearinghouses in the US, Canada, Brazil, the UK and continental Europe.

Under the terms of the agreement, which has been approved by the boards of directors of both companies, ICE will acquire 100 percent of Singapore Mercantile Exchange (SMX).

This includes the SMX Clearing Corporation (SMXCC), a wholly owned subsidiary of SMX and the clearinghouse for all SMX trades. The transaction is expected to close by the end of 2013, subject to applicable regulatory approvals and closing conditions.

SMX operates futures markets in Singapore across metals, currencies, energy and agricultural commodities. The exchange retains licences to operate as both an approved exchange and approved clearing house, providing ICE with exchange and clearing infrastructure in Asia for the first time.

Upon completion of the transaction, ICE anticipates there will be a period of business transition in which ICE will implement technology changes and, in consultation with market participants, clearing members, and regulators, will evaluate the product and clearing strategy of SMX to ensure the offering meets market participants' needs in the region.

SMX is a wholly owned subsidiary of Financial Technologies in India, and is regulated by the Monetary Authority of Singapore.

David Goone, chief strategy officer at ICE, said: "The acquisition of SMX represents an important step in ICE's growth trajectory as we look to expand our customer base and markets in Asia by establishing a local exchange and clearing presence."

"In recent years, Asia-based trading activity in our benchmark energy and interest rate products has been rising as the region increases in importance in global markets. ICE has had a presence in Singapore for over a decade and today's announcement is a natural evolution of our strategy to further extend our network of markets across the globe."

Mercer gets trustee clients set for APRA

Mercer Australia has selected Milestone's regulatory oversight service to automate the new Australian Prudential Regulation Authority (APRA) Superannuation reporting requirements for its financial services business.

Milestone Group is a specialist provider of fund processing solutions to the global funds industry.

The regulatory oversight solution shares the pControl funds platform and provides Mercer with the ability to process the regulatory reports required by APRA.

Handelsbanken Custody Services

Stability in an evolving environment

Find out more at our website:
www.handelsbanken.com/custodyservices

You can also contact our Relationship Management Department, phone: +46 8 701 29 88 or
e-mail: custodyservices@handelsbanken.se

Handelsbanken Capital Markets

ČSOB Securities Custody

- If you are looking for a partner with perfect knowledge of financial markets in the Czech and Slovak Republics, turn to ČSOB Custody.
- We can guarantee long-term experience, full service and maximum efficiency.
- Think about regional custody in Central Europe with KBC Group members.

Contact in the Czech Republic: Československá obchodní banka, a. s.
Jaroslav Záruba, phone: +420 224 114 434, e-mail: jzaruba@csob.cz, www.csob.cz/custody

Contact in the Slovak Republic: Československá obchodná banka, a. s.
Rastislav Čapkovič, phone: +421 259 668 415, e-mail: rcapkovic@csob.sk, www.csob.sk

www.csob.cz

www.csob.sk

Ben Walsh, leader of Mercer's financial services business in the Pacific, said: "The APRA requirements are significant for our administration clients. It is important we continue to deliver accurate reporting to them in a timely manner."

In addition to assisting in the completion of APRA reporting, pControl is also supporting Mercer's dedicated portal which allows clients to access and contribute data.

Mark Neary, managing director of business development at Milestone in the Asia Pacific, said: "With the significant challenges posed by more sophisticated reporting requirements, it is great to see Mercer has chosen pControl Regulatory Oversight for APRA Superannuation reporting. Mercer has been extremely proactive in responding to APRA's rule changes, closely considering the need for strong automation and operational controls to satisfy regulator, auditor and trustee requirements."

French asset manager brings fund range to Cofunds

French asset management firm Carmignac Gestion has made six of its sterling funds available to UK investors through Cofunds.

There are plans to expand the fund offering later this year.

Eric Helderlé, deputy managing director of Carmignac Gestion, said: "This is a milestone in our UK distribution drive. Working with Cofunds will enable us to reach even more advisers, intermediaries, institutions and end investors".

Carmignac Gestion's investment funds are available to both retail and institutional investors through a wide variety of distribution channels. It has a client base of more than one million investors across Europe.

KDPW AND REGIS-TR receive ESMA approval

The European Securities and Markets Authority (ESMA) has acknowledged the central securities depository of Poland as one of four European entities to fulfill all trade repository requirements under the European Market Infrastructure Regulation (EMIR).

KDPW opened in November 2012, making it the first trade repository to open in the Central and Eastern European region. It applied to ESMA for registration of KDPW_TR in May of this year.

ESMA's registration of KDPW_TR allows it to operate across the EU. EMIR will require all future contracts to be reported to repositories from 12 February 2014.

The reporting obligation applies to legal entities entering into derivative contracts and may be delegated to another entity or to a central counterparty.

KDPW was given the prefix '2594' earlier this year, allowing it to assign legal entity identifiers, which are needed to report derivative trades to a trade repository under EMIR.

Iwona Sroka, president and CEO of KDPW, said that its service will allow all entities to meet their derivative contract reporting obligations under EMIR.

"As KDPW Group, we strive to provide top quality services, always in line with the current regulations and highest international standards, to ensure that companies active on the local financial market can use the local market infrastructure. It is our contribution to the development of a strong capital hub in Warsaw."

REGIS-TR has also been approved as a trade repository by ESMA.

The European trade repository, owned by Clearstream and Iberclear, had comprehensive discussions with ESMA in order to verify the compliance, accuracy and completeness of REGIS-TR's business offer before its authorisation.

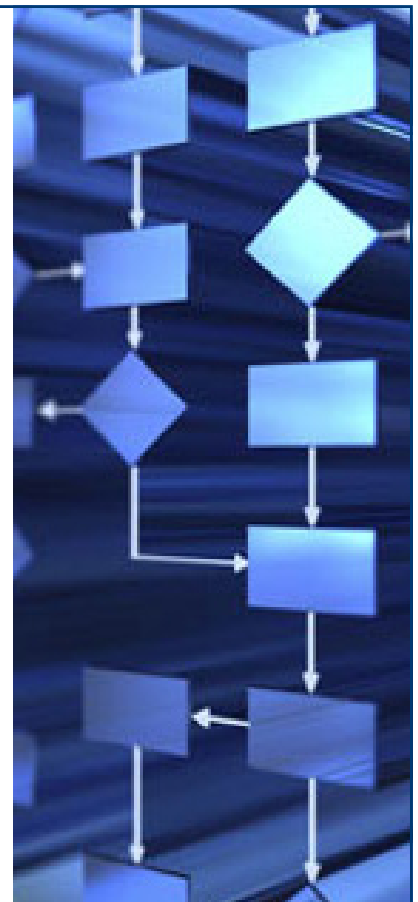
David Retana, managing director of REGIS-

Specialists in asset servicing recruitment

If you're a senior asset servicing professional and are interested in progressing your career then please call either;

Liz Cleary in Singapore on +65 9488 9940 / email liz@hornbychapman.com
or Paul Chapman in London on +44 207 643 2298 or+44 775 374 8397
email paul@hornbychapman.com

www. hornbychapman.com I No.1 Poultry London EC2R 8JR



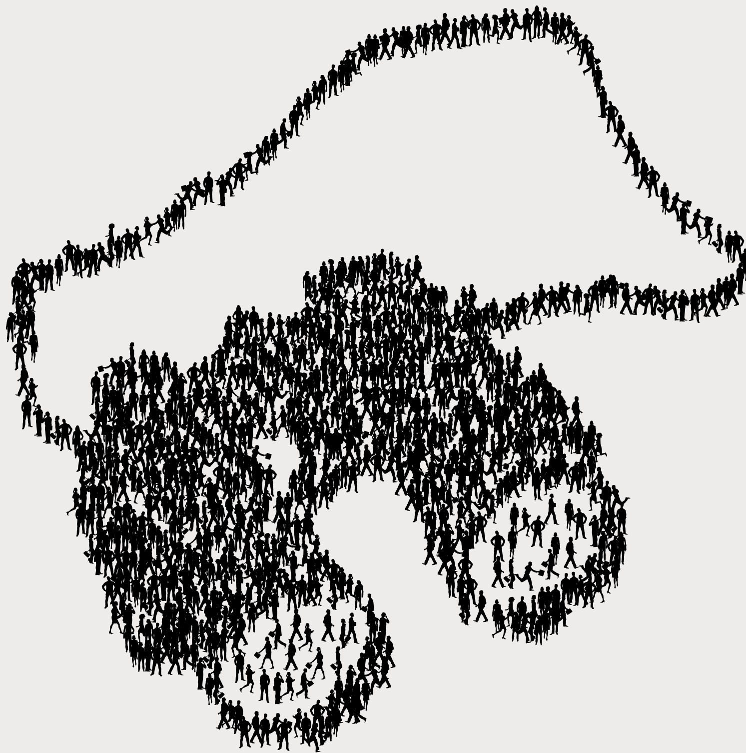
timely insights into your exposure

In today's turbulent markets, with increased demand for transparency from regulators and investors, more and more firms are turning to automation for their collateral and margin management needs.

Omgeo enables firms to gain precise, up-to-date insights in order to assess and respond to their counterparty risk exposure. With Omgeo ProtoColl® for collateral and margin management, you gain a holistic view across cleared and non-cleared instruments, including OTC and exchange traded derivatives, securities lending transactions, and beyond.

The result?
Transparency across portfolios, automated collateral processing, efficient use of collateral and confidence to make even better business decisions beyond your standard inventory.
The time is now.
Omgeo. All together now.

To learn more, please visit
www.omgeo.com/protocoll



A DTCC | Thomson Reuters Company

TR, said: "Receiving the trade repository authorisation from ESMA is a key milestone for us on our journey towards being able to enable European customers to fulfil their reporting obligations in Europe, via our trade repository. The ESMA license is important in that it shows our commitment to our prospective customers and confirms REGIS-TR is fully compliant with the EMIR rules and the ESMA technical standards".

Following authorisation from ESMA, trade reporting in REGIS-TR is currently on track to begin in February 2014.

As part of REGIS-TR's business proposition, customers will be able to report their trades through a trade repository solution for the reporting of all their derivatives trades in the EU, as required under EMIR.

Guernsey event shows practical aspects of AIFMD

Nearly 200 fund managers and advisers attended a Guernsey event in London recently to hear the practical aspects of implementing the Alternative Investment Fund Managers Directive (AIFMD).

Fiona Le Poidevin, CEO of Guernsey Finance, said: "AIFMD has dominated a large proportion of the coverage relating to the European funds industry over the past couple of years but the deadline for EU and EEA Member States to transpose the provisions of AIFMD into national law was 22 July this year. Now we are able to look at the practical aspects of implementation, including examples of the types of structures that are emerging."

Panelists at the event included Cathy Pitt, Phil Bartram, Carl Rosumek and Justin Partington, commercial director at Ipes.

Ben Morgan, partner at Carey Olsen, moderated the panel session and also provided an overview of AIFMD and how it relates to the industry in Guernsey.

John Newlands, head of investment trust research at Brewin Dolphin, said: "I am extremely impressed that representatives from Guernsey's finance industry have taken the trouble to come to London to stage this informative event. It's far easier to get a handle on these technical issues face-to-face."

As well as AIFMD, other topics covered at the event included portfolio and risk management, as well as bilateral discussions on private placement and Guernsey as a depository centre of excellence.

Nik Hood, head of investment funds London at BC Partners, said: "It reinforced how undefined everything is. It was quite useful to hear that the professionals are also uncertain of all the details. It's just a case of being patient."

Clearstream announces October 2013 figures

Clearstream has €11.8 trillion in assets under custody, a new record peak for the company. In October 2013, the value of assets under custody held on behalf of customers registered an increase of 6 percent, while securities held under custody in Clearstream's international business increased by 5 percent.

The firm processed 3.68 million international settlement transactions, a 4 percent increase over the previous year. Of all international transactions, 84 percent were OTC transactions and 16 percent were registered as stock exchange transactions.

For global securities financing services, the monthly average outstanding reached €578.7 billion. The combined services, which include triparty repo, securities lending and collateral management, collectively experienced an increase of 5 percent over October 2012. At €572.1 billion, the year-to-date October 2013 monthly average outstanding is stable compared to the same period last year.

Information Mosaic addresses corporate events

A new solution launched by Information Mosaic hopes to standardise and automates the full lifecycle of corporate event communications between issuers and investors. IMConnecting has been built by the firm for market infrastructures such as stock exchanges and central depositories.

The corporate actions and news solution delivers straight-through and secure access to reach investors, data vendors and custodians worldwide. Information is conveyed using global standards and delivered directly from the issuer source to the investor.

Fun and frolics

With Christmas yet to arrive, mince pies still to be bought and family discussions yet to boil over into heated arguments, I thought I'd make a couple of early predictions as to what might be in store for all of us in 2014. As with most annual predictions, do feel free to forget them completely by early February...

Overall, I'm calling 2014 a positive year in which the current supply/demand mismatch of candidates to jobs will be restored to some semblance of normality. Indices are looking healthy and as soon as interest rates start to rise (a very early 2015 prediction), then net interest income for banks will recover and they will have the full confidence to start hiring 'properly' again.

Turnover at firms will pick up, with candidates taking advantage of the market uptick to show their frustration at perceived poor strategy of management, their lack of pay rises in recent years and concerns as to the security of future employment.

At least one custodian bank will find it increasingly difficult to retain clients due to staff dissatisfaction and resignations, to the point where it may have to withdraw from the business. One will go through a period of turbulence before coming out the other side stronger and at least one will risk much of its franchise in a shortsighted and obsessive pursuit of cost cutting.

An increasing number of new entrants will start to be seen, coming mainly from the West. For firms in the East, 'change or die' will increasingly be the mantra, and the Middle East will also see a rise of local custodians with wider ambitions.

Disappointingly for individuals, firms and clients, much of management will continue to ignore the 'Three Ts', which they should be employing to retain, incentivise and grow their better staff. They should be devoting time, training and trust to their most important commodity, their employees.

Finally, the ongoing wave of regulation will continue to distract, absorb valuable resources, waste treasure and ultimately fail to protect the end client.

Hopefully, my predictions for 2014 are not too gloomy overall. Of course, I'm happy to chat further at the GCF, Williams and various other events in December. Cheers!

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

Paul Chapman, managing director, HornbyChapman Ltd

SLIB
securities software solutions

Enter
a new world of
securities software

5 software suites at your service

25 years of expertise

50 financial services providers who trust our solutions

SLIB Order & Trade
Dispatch your orders on the flow

SLIB Clearing & Settlement
Deliver your securities everywhere in the world

SLIB Position Keeping
Safekeep your resources in a changing landscape

SLIB Voting
Exchange easily with your investors

SLIB Risk
Monitor the risks related to your business

Always in line with the latest changes in the European securities landscape, SLIB is a leading securities software solutions provider and a trusted partner to the financial services industry.

SLIB provides more than 50 financial institutions, with innovative software solutions to streamline their securities processing and improve their performance, whilst mitigating their risks.

The SLIB solutions support securities order and trade, clearing, settlement, custody, risk and electronic voting at general meetings.

> **Interested?**

Contact us at sales.contact@slib.com
Follow us on Twitter: @SLIB_sa and LinkedIn: SLIB

www.slib.com

Mandate Mangle

Deutsche Bank has been appointed as the depository bank for the Singapore Exchange Securities Trading Limited-listed Global Depositary Receipt (GDR) programme of Kolao Holdings.

Kolao is a holding company incorporated in the Cayman Islands and listed on the Korea Exchange. It is engaged in the management of its wholly-owned Lao subsidiary, Kolao Developing Co (KDC), an automobile and motorcycle distributor in the Lao People's Democratic Republic.

Edwin Reyes, global head of depository receipts at Deutsche Bank, said: "We are delighted to be Kolao Holdings' depositary bank of choice. This appointment underscores Deutsche Bank's commitment to its clients in Korea and Singapore. We look forward to providing Kolao with the highest level of service to enhance its GDR programme visibility and broaden its investor base."

The German asset manager, publity Performance GmbH, has mandated **CACEIS** to act as depository for its real estate mutual funds.

The Leipzig-based parent company, publity AG, primarily invests in commercial real estate as well as in business premises and residential houses in German metropolitan areas such as Frankfurt, Hamburg and Munich.

Publity Performance GmbH, an affiliate of publity AG, operates as an independent asset management company.

CACEIS was awarded the mandate on the strength of its expertise in the field of real estate fund servicing: "We are delighted with the high quality of the service package CACEIS brings to the deal, and we especially appreciate the smooth onboarding process that the group provides in Germany" said Thomas Olek, CEO of publity AG.

"We are very pleased that publity Performance GmbH awarded CACEIS the mandate and recognised our experience in the field of real estate investment servicing. We aim to meet all publity Performance's depository needs in Germany, and we look forward to the opportunity to support them through our wider European network for any future cross-border activities", said Holger Sepp, co-head and member of the management board of CACEIS in Germany.

Citi has been mandated to provide private equity administration services to MB Global Partners, a New York-based private equity firm founded by Maria Boyazny that manages capital on behalf of Fortune 50 companies, US and Canadian pension funds, foundations, family offices, and other investors.

"Citi's deep understanding of our business as well as its proven track record of service delivery were decisive factors in our decision to select Citi," said Boyazny, founder and CEO of MB Global Partners. "We are confident that services provided by Citi will help bring an optimal level of efficiency and transparency to our investors."

Boyazny launched MB Global Partners in partnership with G2 Investment Group in 2010, in order to capitalise on the credit dislocations and distressed opportunities created by the global financial crisis.

"This is a decade of credit, as financial institutions and governments around the world are forced to refinance their LBO, real estate and sovereign debt. We will implement a number of innovative concepts to take our credit business to a new level," said Boyazny at the time.

Citi has been selected to provide custody and administration services to the Canadian Broadcasting Corporation Pension Plan, the first mandate of its kind for Citi in Canada.

The 10-year mandate for the $5-billion pension plan includes a host of pension administration services offered by Citi in markets around the world, such as custody, accounting, securities lending, foreign exchange, performance and risk analytics, and post-trade compliance reporting.

"We are pleased to have been chosen by the CBC Pension board of trustees to administer such an important asset for the plan members and CBC/Radio-Canada." said Gurmeet Singh Ahluwalia, securities and fund services head for Citi in Canada.

"Citi's proven abilities in services to the asset management industry offer top-notch value, efficiency and transparency to our clients. We look forward to a mutually beneficial working relationship."

"After an in-depth review of our service requirements and the capabilities of the global custodians, we are pleased to align ourselves with Citi for the benefit of our pension plan members," said Debra Alves, managing director/CEO of the pension plan.

"We are excited about the value-added services they will bring to our plan, including increased transparency and risk management tools."

Citi also scored a third mandate this month, from its Colombian division.

Cititrust Colombia has been appointed by Horizons Exchange Traded Funds to provide global custody and fund administration services for its newly-launched Fondo Bursátil Horizons MILA 40 de S&P (Horizons MILA 40 ETF).

The Horizons MILA 40 ETF is the first exchange traded fund to give Latin American investors the opportunity to access 40 of the largest and most liquid stocks listed on the Colombia, Peru and Chile stock exchanges.

The launch of MILA 40 ETF, as the first international ETF in Colombia and the region, reiterates the solid progress the country has been making for almost a decade.

It also further promotes market integration in Latin America (MILA) and a joint trading venture formed by the Colombia, Peru and Chile stock exchanges.

"With a single investment, investors can now gain low-cost, diversified exposure to all three MILA markets," said Federico Torres, head of Latin American sales for Horizons LatAm.

"Citi has a unique ability to connect markets with its broad proprietary network in Latin America. Furthermore, advanced processing technologies and global reach of services enable us to offer innovative and tailored solutions that meet specific needs," said Alejandro Berney, region head of Latin America, Citi securities and fund services.

Reaching milestones is what we do

Milestone Group is an innovative supplier of fund processing, oversight, and distribution solutions to the funds management industry.

Milestone Group's dedication to fund-centric solutions has enabled it to develop an unparalleled understanding of the upcoming challenges that its clients will face and the technology needed to meet them transparently, robustly and efficiently.

pControl is Milestone Group's advanced technology platform designed to service today's increasingly complex fund product structures and related business processes. It supports multiple business functions in a single environment and incorporates fully integrated data management, end-to-end process control and powerful exception management capabilities. pControl delivers superior efficiency, transparency, product flexibility and control to funds market participants.

For more information about Milestone Group, visit our website:

www.milestonegroup.com.au

London	Luxembourg	Boston	Sydney	Hong Kong
+44 20 7019 7190	+352 2033 2570	+1 617 986 0300	+61 2 8224 2600	+852 2293 2629

pControl
by Milestone Group

The final countdown

Elspeth Goodchild of Rule Financial explains how institutions can gain support from triparty structures in the countdown to compliance

The final countdown to compliance is well and truly underway, as was demonstrated by the recent authorisation of the first trade repositories under the European Market Infrastructure Regulation (EMIR) by the European Securities and Markets Authority (ESMA).

Following years of drafting and consultation with industry participants, we are now beginning to witness the implementation of new regulations governing OTC derivatives trading on both sides of the Atlantic.

The US Dodd-Frank Act and EMIR impact every element of the derivative trade lifecycle, and firms should have already invested heavily in robust compliance initiatives if they are to ensure that they will be fully compliant within the appropriate timeframes.

However, a combination of the need to reduce operating costs and a lack of involvement in the drafting process has left the buy side struggling to adapt and comply. This is in sharp contrast to their sell-side counterparts, which have been bracing themselves for incoming regulations for some time.

Both Dodd-Frank and EMIR influence execution, confirmation, clearing, margining, and reporting, but there are many differences in their exact scope and requirements. Extraterritorial issues between regulations further complicate the compliance landscape. Institutions will need to ensure they are fully aware of jurisdictional regulations and that they capitalise on any opportunities for interoperability.

There is also Basel III to consider, which measures overall risk exposures more stringently, and forces banks to set aside additional risk-free capital in their reserves. This will impact sell-side institutions, their business model, and the choice of which asset classes they participate in—all of which could have a significant impact on the buy side, requiring them to open new relationships in order to access markets.

Other concerns plaguing the buy side include:

- New trade reporting responsibilities: it cannot be assumed that sell-side firms will perform trade reporting, and buy-side firms must keep sight of the fact that they are still legally responsible for trade reporting, even if they have delegated the function.
- The scale of regulatory reform being imposed: in order to remain competitive, firms must ensure that regulatory governance is regularly reviewed and that adequate programmes are in place to manage any operational change that is required.
- Understanding the changes that are required to address collateral segregation: the rules vary between Dodd-Frank and EMIR.
- Effects on operating models: some firms are revisiting their operating model for the processing of OTC derivatives in light of the imposition of business conduct rules under Dodd-Frank and EMIR.
- Efficient connectivity: many firms have yet to understand and implement the required connectivity solutions for new OTC services (affirmation, trade reporting, etc), all of which require proper planning, implementation and testing.

Trade reporting

ESMA's authorisation of the first trade repositories under EMIR means that firms falling under its jurisdiction now have a solid deadline for the

implementation of their trade reporting solutions. Any organisation that is not fully compliant with EMIR's trade reporting requirements by 12 February 2014 risks falling foul of the regulators.

Under Dodd-Frank, buy-side institutions do not play a role in the submission to the trade repository, but they are required to verify the accuracy of reports submitted. Under both regulations, a buy-side institution has an obligation to either submit or to verify the trade details submitted to the trade repository.

This will require a control framework capable of expanding as data-sets fragment further, in an environment where the organisation has to reconcile submissions at multiple trade repositories.

EMIR requires a wider range of trade details to be reported than Dodd-Frank, some of which may not be available through common trade execution standards. This means that institutions must find a way to enrich or modify any reporting message sent to a trade repository on their behalf. As this must be completed within a specified timeline, institutions will need to assess the need for any infrastructure build and investment.

For transactions that are not eligible for central clearing, buy-side institutions should be aware of the reforms governing bilateral confirmation that will be phased in. These are being introduced in order to mitigate the risk of un-cleared transactions and will impose different requirements across asset classes. This again emphasises the need for straight-through-processing in all elements of the trade lifecycle environment, and may require an institution to assess their ability to meet these requirements.

Institutions will also be required to perform periodic portfolio reconciliations for non-centrally cleared transactions. The requirements here are determined by the portfolio size but impose another level of operational complexity, which institutions need to be aware of and prepared for.

The cost of collateral

The cornerstone of OTC derivative reform on both sides of the Atlantic is the creation of central counterparties (CCPs) and the mandatory clearing of eligible products, designed to mitigate counterparty risk. While central clearing reduces counterparty credit risk, initial and variation margin (often cash) will have to be posted at the CCP.

For the buy side, the cost of supplying what a CCP considers 'high-grade' collateral may come at a price.

The increased cost of posting eligible collateral and the lost opportunities that will occur as a result of funds being tied up at a CCP are amongst the anticipated challenges. In the short-term, CCP requirements may drive margin requirements higher than bilateral agreements, and calculations may shift to a daily and intraday basis.

It is estimated that over two thirds of current bilateral trade volumes will be cleared through a CCP in the future, splitting the market between the cleared and non-cleared products. The need for technology to process both cleared and non-cleared products may concern buy-side participants who fear an increase in operational processing and risk as a result.

Institutions can gain support from triparty structures. For instance, it can be helpful to use independent collateral agents and systems that efficiently underpin ongoing collateral reallocation and intraday substitutions based on collateral values.

Triparty agents reduce operational risk and complexity, help manage counterparty exposure, and provide clients with a wide array of solutions to transform and optimise collateral. However, choosing the right clearing agent can be challenging.

CCP/clearing broker selection

The CCP mechanism, its financial strength, and the selection of a clearing broker/s are all crucial considerations for the buy side. If there is no direct relationship with the CCP then the clearing broker assumes the credit risk and acts as the intermediary.

Buy-side firms must familiarise themselves with the options available, as the collateral taker (the CCP) sets the parameters for the collateral it will accept from the collateral provider (the buy-side firm). Clearing brokers should also be reviewed for suitability and stability, as they will not only hold the firm's initial margin, but also help to clear the firm's trade in the years ahead. It is imperative that there is no repeat of the MF Global case where client funds were put at risk.

With the cost of margining increasing, risky, long-term bespoke swaps will become uneconomical, encouraging the trading of more 'vanilla' products. Indeed, it could potentially lead buy side firms to use the futures market to mimic their swaps trades given its lower margin costs and less stringent regulatory requirements. However, with the imperfect hedging provided by futures contracts, many question whether the tailored nature of swaps will actually transcend the regulatory reforms.

The authorisation of the first trade repositories under EMIR marks the beginning of the final phase of derivatives reform. Prior to this, numerous delays had lured firms into a false sense of security, which led to the mass adoption of a hesitant and gradual approach to the implementation of compliance initiatives. Now that the compliance countdown has been initiated, firms can no longer afford to have such a laid back attitude.

Conforming to the demands of the regulators is, however, no small feat. The work required to meet the correct level of compliance is substantial and should not be underestimated. The on-boarding of clients and the accompanying processes all take considerable preparation and time.

"For the buy side, the cost of supplying what a CCP considers 'high-grade' collateral may come at a price"

The updating of documentation and implementation of new infrastructures will also require significant investment. For organisations that intend to remain in the derivatives market, any unintended consequences of the reform should also be considered. This is particularly pertinent for monitoring the operational risk profile of derivatives trading.

Buy-side firms need to act fast if they are to beat the countdown and be fully compliant before time runs out and their bottom line is negatively impacted. **AST**

Elspeth Goodchild
Buy side and delivery management specialist
Rule Financial

Taking control

Omgeo's product manager Bill Meenaghan explains why he sees a significant opportunity for the industry to adopt automated solutions to improve the quality and accuracy of settlement instruction data

What role do standing settlement instructions play in the trade-processing lifecycle?

To reduce risk and costs associated with trade failure, it is critical that all market participants implement an automated and standardised process for storing, updating and communicating account and standing settlement instruction (SSI) data. SSIs are a key reference data component in the trade life cycle. Settlement instruction data includes information such as place of settlement, account name and number, market, security type, bank identification codes and more. This data includes all of the account and settlement details that are needed for a trade to settle.

In fact, in an Omgeo survey of custodian banks worldwide, nearly 40 percent of respondents mentioned that 30 percent or more of their clients' failed or amended trades were due to SSI issues often tied to a lack of automated SSI processes and missing SSI data. Bank respondents also highlighted that they primarily used manual methods to share their SSIs with their investment manager clients, including email, the most common method of sharing and updating SSI data.

There is significant opportunity for the industry to adopt automated solutions to improve the quality and accuracy of settlement instruction data. Automation introduces greater control of data and ensures compliance with industry standards. In the end, automation promotes an accelerated trade instruction process, provides a greater level of transparency and facilitates greater control over the operational process.

Why is quality trade settlement so important?

Participants and regulators of the financial markets are more and more focused on removing risk from the industry. The reduction of systemic risk is a key priority, but more broadly the focus remains on reducing all types of risk, including settlement and operational risk.

Securities settlement is a critical component of operational risk management as faster and more efficient settlement practices reduce counterparty risk exposure and promote the efficient use of capital. Improving settlement efficiency could be one of the most tangible and positive examples of changes to post-trade infrastructure since the onset of the global financial crisis. One area gaining particular attention is the focus on reducing the time it takes to settle a trade, also known as shorter settlement cycles (SSC). Today, there is growing agreement among policymakers, regulators and market participants alike that shorter settlement cycles benefit the industry and investors.

The ability to access properly maintained SSIs is a key factor in operational risk mitigation, particularly as the global momentum towards shorter settlement cycles increases. The highest degree of accuracy will be needed in order for firms to adhere to shorter settlement time frames.

Could you explain the partnership with DTCC and how it will help standardise and centralise key client reference data functions?

Omgeo and DTCC have worked closely since Omgeo's inception in 2001 when the firm was a joint venture between DTCC and Thomson Reuters (formerly Thomson Financial). This past October, DTCC completed its acquisition of Omgeo. As a result, there will be even more collaboration between DTCC, Omgeo and the industry around key initiatives including client reference data functions.

Recently, DTCC announced its goal is to provide a comprehensive, centralised platform to manage all client reference data, including regulatory compliance data, client on-boarding and KYC requirements, and SSIs. They are planning to provide this centralised solution by leveraging their assets, as well as those from Omgeo and another subsidiary, Avox.

Omgeo ALERT, the industry's largest and most compliant online global database for the maintenance and communication of account and SSI, will be a key part of this initiative. Earlier this autumn, we announced that Omgeo had been partnering with DTCC to establish a user-governed global repository to store and communicate the 'golden copy' of SSIs for all products and geographies. This undertaking, known as the SSI communications hub, is part of an overall effort led by DTCC to standardise and centralise key client reference data functions and place them under user governance. ALERT will serve as the foundation for this service, coordinating and distributing SSIs between trade counterparties and supporting settlement across all markets and asset classes globally.

What parts are regulation and initiatives such as LEI playing in your product offerings?

Omgeo remains focused on continuing to meet the needs as regulatory and industry mandates take effect. In fact, ALERT is a key enabler of helping firms to meet Legal Entity Identifier (LEI) mandates. In May, Omgeo announced it was supporting the global LEI initiative by adding additional entity- and fund-level fields and data into ALERT. These enhancements are bolstered by Omgeo's partnership with Avox, a subsidiary of DTCC -that provides the automated feed that populates legal entity data in ALERT.

> "In an Omgeo survey of custodian banks worldwide, nearly 40 percent of respondents mentioned that 30 percent or more of their clients' failed or amended trades were due to SSI issues often tied to a lack of automated SSI processes and missing SSI data"

With this partnership, entity-level pre-LEIs—which conform to the LEI standard and will transition to LEIs once the global system is established—are automatically populated within confirmed investment manager and broker/dealer ALERT accounts.

Clients can view entity-level pre-LEI information in ALERT, as well as their counterparties' legal entity data via subscription. To date, more than 900 entity pre-LEIs have been automatically populated after Omgeo worked with individual clients to confirm their correct legal entity details and acronyms. **AST**

Issuer to Investor: Corporate Actions
Less delay. Less errors. Less risk. More sense.

How successful processing starts - and finishes.

The path taken by a corporate action announcement is rarely smooth. Whether it's a dividend, bond redemption or merger, the stages between issuer to intermediary to investor can see data get dropped, details missed, and investor decisions, delayed.

The solution is clear. A standardised, common language. One that ensures consistency of information delivery and data integrity from the issuer of a corporate action straight through to the end user.

Together, Swift and DTCC have created a solution that means less delay on corporate actions announcements, less burden on intermediaries, and less chance crucial data will get missed or misinterpreted.

Which makes a lot more sense.

To find out more, contact Malene McMahon in our New York office:
email: malene.mcmahon@swift.com
telephone: +1 212 455 1906

- For more information on SWIFT and its portfolio, *visit swift.com*
- To join the community debate *visit swiftcommunity.net*

Fierce competition

Local Czech bank CSOB tells AST how the entry of new players into the Central and Eastern European region has made it up its game

How has the CEE region been developing recently? What have been some significant and positive improvements?

Although it seems that the Central and Eastern European region is economically performing quite well (in comparison to the average performance of the eurozone), financial markets in the region are tied by European regulation such as the CSD Regulation, the Securities Law Directive, the European Market Infrastructure Regulation (EMIR), and so on. As well as this, market entities in the region are working on a project that aims to harmonise corporate action procedures—definitely not an easy task.

Regarding TARGET-2 Securities, there are some remaining challenges with the project, due to countries such as the Czech Republic and, that still have not signed a framework agreement with the European Central Bank.

Xetra, the electronic trading operated by the Deutsche Börse, is also evolving quite well. We are seeing a pretty constant interest from foreign brokers about the local market, and expect other entities to become a Xetra member soon.

What challenges are still on the table?

In spite of these positive changes, there are several challenges in the Czech market that will be on the table for a while. Firstly, the absence of a full nominee concept in the Czech central securities depository (CSD) is perhaps the mostly frequent debate between local providers and foreign investors.

There is also a missing SWIFT connection between the CSD and local providers, which are familiar with SWIFT communication to their clients, a switch from T+3 to T+2 settlement cycle, and a wide range of regulatory requirements adopted by local, EU and other regulatory bodies. These will all create obstacles in the coming years.

The switch to automated pre-matching on the Czech market is currently taking place (starting in December 2013), which will improve the process in terms of better STP. And with regards to the legal framework, the Czech market is now facing an adoption of a new Civil Code, that will enter into effect in 2014.

Does the diversity of the region still mean that local providers can (at times) have the upper hand?

The best custody provider in such a complex yet innovating market environment has a mixture of traditionalism, long-lasting experience, and responsiveness to upcoming changes. Apart from commonly available services, such as efficient account management, accurate settlement or proxy voting procedures, there are specific details that make the best custodian unique. This provider must bring a market expertise and be one of the leading players defining new standards. Above-standard reporting, professional assistance with a corporate actions agenda, constant readiness to technological changes, and financial stability, are some of the biggest assets from which CSOB clients benefit; not only in the Czech market—but also in the entire CEE region.

While the diversity and heterogenic environment of the CEE region might be seen as a systemic drawback, it ultimately means that more focus and expectations is given to local providers. Perfect knowledge of the local market, direct access to the CSD and accurate up-to-date informational service make local players indispensable part of the whole asset servicing chain.

How do you think your provision of custody or sub-custody services is unique, compared to a more global rival?

The global brand name of some local sub-custodians is a noticeable benefit. However, these names have a relatively short track record, in terms of providing Czech custody services. And it is not only Czech investors who will give preference to ‘local’ institutions with strong historical roots, long-term experience and significant domestic and foreign customer base.

How has Citi’s entrance into the CEE market affected your business?

Citi is perceived as a global name, which unquestionably belongs to the leading players in the sub-custody business. Any new market player means that the competition will become fiercer and that the pressure on quality of provided services will be more intense. CSOB´s goal is to keep a high level of standards, and continuously improve on our performance. Our customers benefit from our long-lasting business experience—CSOB was the first custody provider in former Czechoslovakia—and continual stability (CSOB is one of the top three providers in the Czech market). **AST**

Marek Začal
Custody relationship manager
CSOB

Key benefits of SLIB offer

- **Reliable**: 50 financial services providers are using SLIB solutions (TMF, ICM, GCM, settlers, custodians and banks)
- **Modular and scalable**
- **Highly effective**: real time and STP
- **Compliant with the latest regulations and industry standards**: SWIFT 15022 or 20022, FIX, MiFID, T2S, etc
- **Comprehensive and adaptive functionality**
  - multi-market
  - multi-instrument (equities, fixed income, warrants, derivatives, funds)
  - multi-entity
  - multi-depositary
  - multi-currency
  - multi-lingual (French, English)

About SLIB

Always in line with the latest changes in the European securities landscape, SLIB is a leading securities software solutions provider and a trusted partner to the financial services industry.

SLIB provides more than 50 financial institutions, with innovative software solutions to streamline their securities processing and improve their performance, whilst mitigating their risks.

The SLIB solutions support securities order and trade, clearing, settlement, custody, risk and electronic voting at general meetings.

Modular software solutions

SLIB meets the needs of the financial services industry by offering a wide range of expert software and services for the securities business. The comprehensive solutions portfolio is designed in a totally modular fashion.

It encompasses:

- **5 software suites**, built themselves with 19 software components that can be individually selected to match you current specific requirements and evolve later as your business develops
- **4 core data modules**
- **5 software services**

SLIB software suites

- **SLIB Order & Trade Suite** streamlines all processing steps along the trade lifecycle: order and allocation management, confirmation and trade reporting to the back office.
- **SLIB Clearing & Settlement Suite** interactively processes all clearing and settlement activities, as well as reconciliation with the CCPs and CSDs.
- **SLIB Position Keeping Suite** assists you in all the tasks related to account / position keeping and custody.
- **SLIB Voting Suite** automatically collects and transmits the voting instructions of shareholders, prior to a General Meeting. SLIB is the provider of VOTACCESS, the innovative platform chosen by the French marketplace.
- **SLIB Risk Suite** monitors in STP mode and optimizes the clearing risk across more than 10 CCPs in the world.

Azure waters ahead

After 19 years at UBS, Robert Barnes explains his team's strategy for the multilateral trading facility Turquoise, and the vision for a single European market

Turquoise's formation by a number of banks in 2006, to realise the vision of the European single market by forming a single trading platform to trade securities of multiple country markets with a single harmonised rulebook, was largely due to the changes implemented across Europe following the introduction of the Markets in Financial Instruments Directive (MiFID), effective 1 November 2007.

Initially established to advance functional and commercial models relative to the incumbent single country exchanges in Europe, Turquoise has since been at the forefront of innovation. Through a single connection, traders today have the ability to match business in shares and depository receipts from 18 countries with an efficient trading and post-trade model that delivers economies of scale.

Turquoise is now majority-owned by London Stock Exchange Group in partnership with 12 leading member firms. One of the benefits of being part of a larger group can be seen in the shared service level arrangements in place with London Stock Exchange Group. For example, the Turquoise platform runs on the same low-cost technology platform, MillenniumIT, in use across the group. The benefits to members is not just a highly state-of-the-art and resilient platform, but also the similarity of Application Programming Interface (API) of markets that use MillenniumIT.

Partnership with customers is key for Turquoise. Responding to their needs is paramount and has resulted in a number of additions to the offering including the expansion of the number and type of securities available to trade. This responsiveness means that Turquoise is now the fastest growing equities trading platform with meaningful liquidity.

The notion of best execution is a priority for market participants. Pre-MiFID, different countries had different definitions with the most common focus on 'best price.' MiFID harmonised the framework across Europe by re-defining best execution as a process to deliver the best possible result on a continuous basis. This principles-based approach effectively empowered investors and market participants with their respective abilities to evaluate, monitor, justify and decide choice of liquidity venue. Investment firms, including those mid-tier firms that traditionally connected only to their respective domestic exchange, are increasingly exploring the benefits of connecting to a pan European multilateral trading facility like Turquoise in order to deliver a better execution result for their clients and diversify their offerings by geography, as a single connection to Turquoise offers trading in shares of 17 additional countries to their home market.

Connection at the trading level is straightforward. Turquoise, along with other MTFs, has innovated also the post-trade space. Members today have a choice of four fully interoperable central counterparties: LCH.Clearnet, EuroCCP, EMCF, and SIX x-clear. Structurally, each CCP nets and facilitates delivery of the European shares for settlement into their respective country's central securities depository. This means a member may sell on a local exchange and buy on Turquoise with a flat position, for example, at the local central securities depository. The commercial benefits of consolidating clearing through a choice of CCP serving multiple markets are economies of scale via volume discounts offered by the respective CCP. As more retail intermediaries and second tier firms look to become members and efficiently access pan European liquidity pools offered by Turquoise, the opportunity is for prospective members of Turquoise and general clearing member firms already connected to the post-trade ecosystem serving Turquoise to cooperate for incremental business and the additional pan-European choice offerings available through Turquoise.

Turquoise today allows the trading of shares on one of two complementary order books. Turquoise Integrated Lit is a traditional lit orderbok featuring Price priority and includes Hidden orders like icebergs and large-in-scale (LIS). Turquoise Midpoint Dark matches orders in shares pegged to the reference price of the primary best bid and offer (PBBO) of the respective European exchange with size priority and user-defined minimum execution size (MES) for two additional functionalities: Continuous Midpoint matching and Turquoise Uncross, the buy-side friendly randomised periodic series of intraday auctions.

Whereas the lit book gives certainty—but potentially suffers the downside of market impact— the dark pool does not provide certainty pre-trade, but has the benefit of allowing firms' orders closer to the market without signalling any risk. The benefit of offering two types of orderbooks is that it allows Turquoise to offer complimentary liquidity. The two approaches provide better quality matching towards the

benchmark that the investors are trying to meet. Turquoise Uncross is an innovation that exists nowhere else on European markets. The trade type is a series of periodic, randomised auctions that allow two sides of an order to both be resting and then have the potential to match at a time that is determined by a randomised function. Of particular interest to buy-side firms, Turquoise has seen a significant increase in the value of executions in Turquoise Uncross, up more than three times since the start of September 2013, as more firms opt to use this functionality.

Chart analysis

Figure 1 shows the period of growth across the different exchanges from October 2012. If you revalue all the platforms to 100 at the start date, the graph will then reflect growth over the last year, Turquoise is currently the fastest growing platform in Europe with meaningful liquidity.

Figure 2 shows daily values traded per day since January of this year. Customers are choosing to trade in Turquoise Integrated Lit and Midpoint Dark orderbooks. The observation is that participations in Turquoise are increasing, including Turquoise Midpoint Dark.

Figure 3 looks more closely at daily values traded in 2013 on Turquoise Midpoint Dark. Customer business is growing in Turquoise Uncross and Continuous Midpoint functionalities. The observation is that the trends of participations in Turquoise Midpoint Dark are increasing, and increasing particularly in Turquoise Uncross, an innovation in market structure.

Now that MTFs have achieved a meaningful threshold of liquidity in pan-European trading, firms can truly deliver best execution for their clients by accessing meaningful choice of complementary liquidity pools. Turquoise aims to make this as simple and as efficient as possible, while at the same time innovating to deliver not just the best experience, but the highest standard of result consistent with principles of integrity, innovation, partnership, and excellence. This is exemplified, for example, through Turquoise Uncross, the innovation which provides high size and best in class quality, independently verified. **AST**

Robert Barnes
CEO
Turquoise

Turquoise total value traded is up more than 100% y-o-y to Oct 2013

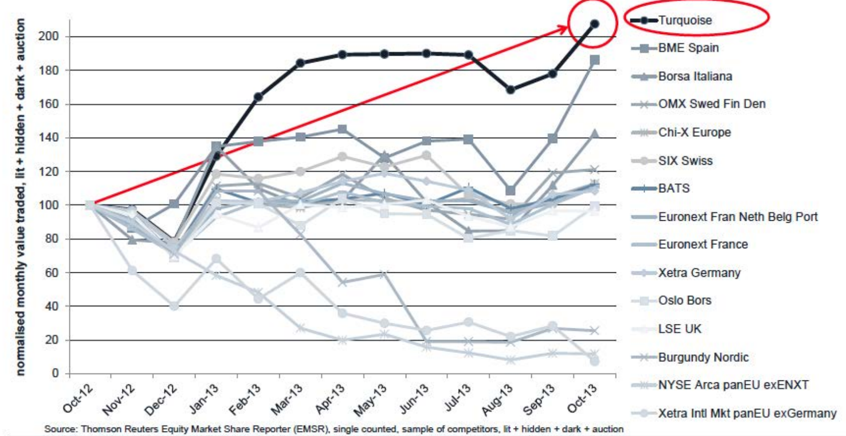


Figure 1

Customers are choosing to trade in Turquoise Lit and Midpoint Dark – 2013

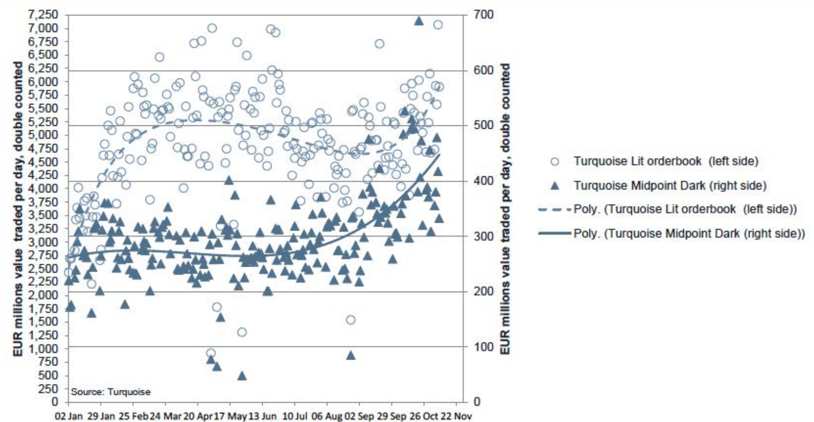


Figure 2

Innovation in action Turquoise Uncross^{TM} + Continuous Midpoint – 2013

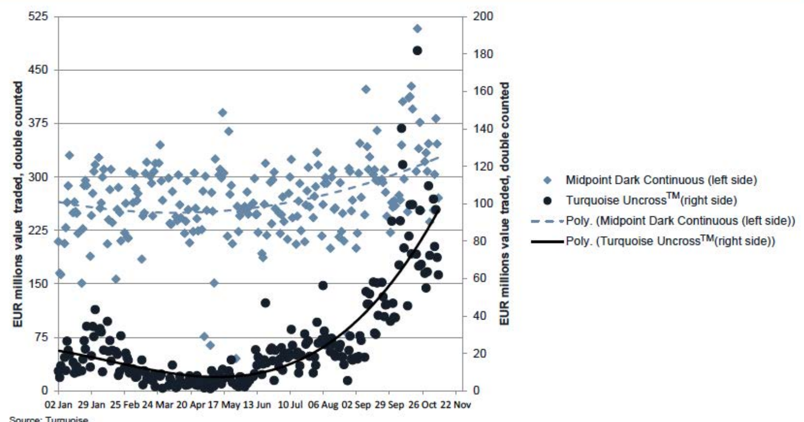


Figure 3

Keeping it simple

Deborah Thompson, global head of direct securities services sales for Deutsche Bank, breaks down the definition of the global custodian for AST

What is a global custodian, and how do you think this definition has changed over the past five years?

Global custodians facilitate cross-border securities trades across a broad range of assets. Their customers are institutional investors such as asset managers and broker-dealers, which choose not to appoint agent banks directly in each of the markets where they require safekeeping of assets.

Although custody—and directly related services such as asset servicing—are at the core of the offering, increasingly over the past few years these elements have been combined with other value-add post-trade services, such as securities lending, FX or collateral management.

Global custodians have traditionally maintained a direct presence in a relatively small number of core markets, appointing agent banks (or sub-custodians) such as Deutsche Bank with a local presence to provide the underlying services in markets where they are not present. However, this line between global custody and sub-custody is becoming less distinct as global custodians enter the sub-custody space and establish their own local franchises in addition to maintaining their agent bank network.

How are managers, custodians and brokers preparing for an uncertain future?

Obviously regulation is at the forefront of everyone's planning for the future, and custodians are no different. They are running significant investment programmes to meet the requirements of new regulations such as TARGET2-Securities (T2S), Basel III and the European Market Infrastructure Regulation (EMIR).

T2S, for example, is acting as the catalyst for potential new models. One approach is the prospect of modular servicing, whereby custodians offer varied and tailored modules for their clients, covering the full range of solutions, from liquidity and collateral services to reporting and connectivity.

As for brokers, lower volumes in the equity market mean that infrastructure costs are currently high for this segment. The new capital requirements are also adding pressure, and brokers may potentially find it harder to access credit from the global capital markets. There is also increasing pressure on brokers to reduce costs. Many may decide that they will forego maintaining full back office infrastructure themselves (and the resultant headcount and IT costs associated with it) and outsource it instead. We see this as somewhat inevitable among second and third tier players in the market.

What might be the benefits of switching custodians?

Notwithstanding the benefits of getting a better quality service, there are a number of other things to consider. Fee reduction, and the possibility of accessing innovative new products or a bundle of services from a provider, is perhaps the most obvious one.

Another, more recent, trend is risk reduction. This has become increasingly important as buyers of services are looking to diversify their risk profile, or concentration on a small number of providers, whilst maintaining a number of relationships that gives them efficiencies of scale.

How does the buy side use survey results in buying decisions? Do you see an opportunity to shape these surveys?

The degree to which the buy side uses or treats the results of surveys varies widely. Where the consensus appears to come out, is that they are an extremely useful reference point, but have to clearly be put in context as they can never be all things to all people, and nor are they intended to be.

From a service provider perspective, we are always grateful to our clients for taking part in what feels like an increasing number of surveys looking for their participation.

What are ex-Europe clients looking for in their custodian?

Like clients the world over, they want to develop long-term strategic relationships with their providers, and they want their custodians to demonstrate commitment to their business.

From a product perspective, they want credit, access to liquidity, and usually the ability to purchase multiple integrated services from one provider, all with great day to day service—and the custodians that can deliver this the best, will differentiate themselves.

What do you think is an ideal balance between the in-sourcing and outsourcing of middle and back office services?

The outsourcing trend is accelerating, but clients like to know they are receiving a personal service, so they want to see front-line client-facing activities remaining in-house. This is especially important for priority clients, so the dedicated service of solving issues, problems and value-added services that is more middle office than back office will invariably remain in-house with most providers.

“Surveys are an extremely useful reference point, but have to clearly be put in context as they can never be all things to all people, and nor are they intended to be”

However, the processing element of the back office, which many providers will find increasingly expensive to maintain, is a more attractive proposition for outsourcing to a specialist back-office provider. Although the rationale for each organisation will be different, any decision will be based primarily on savings gained from reduced infrastructure and operational support, whilst maintaining or improving service levels.

Whether outsourcing makes commercial sense will often depend on the past and current state of technology investment and location of service hubs. **AST**

Deborah Thompson
Global head of direct securities services sales, global transaction banking
Deutsche Bank

Turquoise

Turquoise Uncross™

Innovate. Activate.

Turquoise Uncross™ is a unique service providing a series of randomised auctions throughout the continuous trading period of the Turquoise Midpoint Dark Book. In only allowing patient, passive orders to match, Turquoise Uncross™ provides a more level playing field, giving no preference to time sensitive flow where the aggressor can choose the exact millisecond of execution.

With size priority in the matching logic and functionality enabling users to define their own minimum execution size, the Turquoise Midpoint Dark Book aims to go further than any other public MTF or Regulated Market dark pool to attract larger order and trade sizes, while minimising the concerns of adverse selection.

Find out how Turquoise can enhance your trade by speaking to our expert team today.

Telephone: +44 (0) 20 7382 7600
Email: sales@tradeturquoise.com
Website: lseg.com/Turquoise

London Stock Exchange Group

Back in action

Securities class actions in England and Wales have been a relative rarity when compared to the US, but a relaxation of certain rules could reinvigorate British litigation in this area, says David Gilbert of Goal Group

English Civil Procedure Rules allow for class actions or 'group actions' to be applied under current UK legislation in England and Wales (Scotland does not yet have a group litigation procedure). Securities fraud related claims can be made either under common law principles (such as fraud, deceit, or negligent misrepresentation), or for cases of liability relating to statements made in a prospectus, under Section 90 of the Financial Services Markets Act of 2000. Unlike the class action system in the US, the law of England and Wales requires plaintiffs to 'opt in' to the action.

Participating in such cases can result in compensation being gained for real financial losses incurred, and can encourage the reform of corporate governance. Despite this, securities class actions in England and Wales have been a relative rarity when compared to the US.

A scarcity of cases could arguably be attributed to the fact that the losing party must pay at least part of the winner's costs. This rule does not usually apply in the US. However recently, in England and Wales, a relaxation of the previous ban on outside investment in litigation has encouraged insurers to cover the risk that plaintiffs will have to pay defendants' fees should they lose.

This moderation of the rules has encouraged cases. For example, in March of this year, two shareholder groups initiated securities class actions against RBS (Royal Bank of Scotland). These claims are believed to be the biggest in UK history. The prosecutors allege that the bank's prospectus for a $23 billion offering in April 2008 contained material misstatements.

Recent US Supreme Court activity has limited the ability of overseas plaintiffs to bring securities class action claims within the US. The ruling came in 2010 when the court stated as a result of the Morrison v National Australia Bank case, that US securities laws only apply to companies listed on US exchanges, wiping out the eligibility of what have become known as f-cubed actions. An f-cubed action involves a non-US shareholder suing a non-US company whose stock was purchased on a non-US exchange, and who is bringing a case in a US court.

Cases, such as those against RBS within the UK, have stimulated class action lawyers to familiarise themselves with overseas legislation and represent institutional investors in international jurisdictions that are establishing themselves as class action centres. Goal Group has calculated that settlements in securities class actions outside the US are estimated to reach $8.3 billion annually by 2020.

As class actions globalise, it is important that class action opportunities are monitored. However for investors, this presents a more complex global network of shareholder litigation to monitor and respond to. Any level of non-participation can present fiduciaries with a major legal headache. As experience in the US has shown, fiduciaries may be sued if they do not ensure investors participate in relevant securities class actions. Moreover, evidence is emerging that funds are now including the responsibility for class action identification and participation in contractual agreements with custodians.

Historically, keeping track of opportunities to make a claim and the processes required to do so successfully, have been considered complex and daunting. Now, however, there is little excuse for failing to ensure identification and participation in relevant securities class actions as there are specialist service providers that can automate the process at a relatively low cost.

The pressure of the process can be dramatically eased by such support as although many only monitor the US, some specialist providers can 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 claims administrators. **AST**

David Gilbert
Global development manager
Goal Group

> Corporate and Investment Banking

THE SOLUTIONS YOU NEED TO STAY CONNECTED IN AFRICA

Investor Services from Standard Bank

Doing business in Africa can be complicated. If you need access to custody and related services, you need to find a partner who knows the continent like their own backyard. Because Africa is our home, Investor Services from Standard Bank offers you a breadth of capability across 15 African countries. So whatever your investment activity on the continent, we have the expertise to make your business work.

They call it Africa. We call it home.

For more information, contact Adam Bateman
email: adam.bateman@standardbank.co.za or
visit www.standardbank.com/cib

Standard Bank

Also trading as Stanbic Bank

Moving Forward™

Authorised financial services and registered credit provider (NCRCP15).
The Standard Bank of South Africa Limited (Reg. No. 1962/000738/06). SBSA 145001
Moving Forward is a trademark of The Standard Bank of South Africa Limited

Securities lending the REIT way

With interest rates down, firms are examining their capital options closely. Is securities lending a viable option for REITs? AST takes a look

DANIEL JACKSON REPORTS

Alternative strategies have emerged in recent years for financial institutions with captive real estate investment funds. With interest rates worldwide at an all-time low (the European Central Bank recently cut its main interest rate in half to 0.25 percent), dormant capital is out of the question.

Firms are seeking to increase the returns they receive on financial assets, whilst creating liquidity in a sluggish market.

One of the ways in which companies are able to do this is by using capital held in a real estate investment trust (REIT) to engage in securities lending transactions.

In lending securities the REIT is able to make a small amount of profit on each transaction, whilst being protected from the risk inherent in the speculation. The risk involved in securities lending is minimal for the lender, and exists mostly in the potential for counterparty default. This risk, if the asset manager is prudent in its lending decisions, is considerably smaller than the risk of stock volatility.

A REIT in the US must distribute a minimum of 90 percent of its taxable income to its shareholders on a yearly basis. A qualifying REIT is permitted to deduct dividends paid to its shareholders from its taxable income. As a result, most REITs distribute their entire taxable income to their shareholders, and therefore pay no corporation tax.

Taxes are, however, paid by shareholders on the dividends they receive. As a result of this, most US states do not require REITs to pay any income tax. A REIT cannot pass any tax losses through to its investors, making it an attractive vehicle for obtaining capital liquidity. For this reason there is no incentive for REITs to hoard capital, and alternative strategies make sense from a business point of view.

Another attractive aspect of securities lending to REITs is Section 1058 of the Internal Revenue Code. This legislation prevents securities loans from being classed as taxable events—which means that the securities firms can deal as they wish with securities that are lent to them.

Many REITs were been hit particularly hard by the financial crisis, owing to their exposure to bad mortgage debt and their narrowly focused business model. Low consumer confidence has driven down demand for commercial and retail space, whilst overall property prices have remained high as businesses seek to invest their capital in tangible assets such as real estate.

Conversely, many equity REITs have, in the five years since the subprime mortgage crisis, recaptured most or all of the value that was lost. This is particularly true of REITs that were heavily invested in areas of the market where property prices have outperformed the world average. REITs with assets concentrated in cities such as New York and Los Angeles have been able to outperform the stock markets they operate in owing to the inflated price of property brought about by the lack of confidence in other, less concrete investments.

Wolters Kluwer, a financial services company, recently launched a module for its REIT software platform that adds automated securities lending functionality. This added capability demonstrates that there is a demand amongst REITs to explore alternative avenues of capital handling.

Continental

There are fears in Europe that the proposed Financial Transaction Tax (FTT) could prove prohibitively expensive to the securities lending industry.

This may be contributing to the slow uptake in securities lending by European REITs at a time when economic factors make it an attractive option in the US.

But the European REIT market is similar to that in the US, in one important respect. If a buyer can provide a capital gains tax deferral when selling a property asset, and provide the seller with a percentage return on the asset, that the buyer can gain a negotiating advantage over its competitors.

With careful planning, US REITs can invest in the European market in ways that can preserve the tax benefits of the REIT structure.

There are fears that the FTT could reduce this advantage to the point that it becomes an unviable market for inward investment.

The FTT is designed to dissuade financiers from excessive short trading. It will do this by taxing trades and derivatives. As the profits obtained in short transactions are small and executed regularly, the tax could prove to be too effective by discouraging such a volume of trades that the taxes raised are negated by the reduced free flow of capital.

Some politicians view the tax as a way of forcing banks to pay for the costs of the financial crisis. Arguably, it may only succeed in redistributing the burden whilst reducing overall economic activity, and therefore GDP.

Financial institutions often find that securities lending transactions are necessary to obtain the returns that their REIT was formed to facilitate. Whether or not a REIT can be used in this way depends on the definition of the income earned by the REIT through securities lending, for tax and legal purposes.

For this reason, a financial institution hoping to use a REIT for securities lending should ensure that its income passes the REIT tests in its country of domicile. AST

Deutsche Bank
Global Transaction Banking

Expect more from T2S

With the right partner, the real benefits of TARGET2-Securities (T2S) are within reach: reduced cross-border settlement costs, optimized use of collateral and richer funding opportunities.

Deutsche Bank has invested significantly in the success of T2S to offer clients:

— a wide choice of operating models and value-added services

— connectivity in more than 80 markets including 33 with a local presence and plans to be a Directly Connected Participant

— the kind of liquidity only a world-leading euro clearer can provide

Deutsche Bank: Committed to T2S. Committed to you.

For more information, visit www.db.com/gtb or email GTB.Marketing@db.com

Passion to Perform

This advertisement has been approved and/or communicated by Deutsche Bank AG. Without limitation this advertisement does not constitute an offer or a recommendation to enter into any transaction neither does it constitute the offer of securities. The offer of any services and/or securities in any jurisdiction by Deutsche Bank AG or by its subsidiaries and/or affiliates will be made in accordance with appropriate local legislation and regulation. Deutsche Bank AG is authorised under German Banking Law (competent authority: BaFin – Federal Financial Supervisory Authority) and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of Deutsche Bank AG's authorisation and regulation by the Financial Conduct Authority are available on request. Investments are subject to investment risk, including market fluctuations, regulatory change, counterparty risk, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you might not get back the amount originally invested at any point in time. © Copyright Deutsche Bank 2013.

AST ASSETSERVICINGTIMES

Regulatory Handbook 2014

The pocket-sized guide to the most important regulations affecting the securities services industry right now. Featuring:

- The lowdown on AIFMD, FATCA, EMIR, MiFID, and many more
- Exclusive interviews with regulatory bodies
- Latest timelines including delays and updates
- Panel discussions
- Solutions to regulatory issues
- Pricing issues revealed

COMING TO A CONFERENCE NEAR YOU…

TO CONTRIBUTE TO THE HANDBOOK, CONTACT SERENAFRANKLIN@ASSETSERVICINGTIMES.COM

Sponsored by

New year cheer

AST asks six of the busiest global custodians what their plans are for 2014

In 2014, our focus will continue to be supporting our custody clients through the major shifts in the investment landscape which are underway. Given the keen attention that is now paid to cost control and the relative consistency of pricing between the major players, we will continue to differentiate ourselves on the quality of services that we offer.

In addition, our goal is to become an integrated business partner to our clients, offering them market insight to help them in turn achieve their objectives. Typically, clients are now seeking a much greater level of support from their custodians in helping them to execute their business strategy, which may include services such as distribution support and investment analytics, going beyond the range of traditional products service providers have offered.

As the regulatory outlook will continue to evolve next year, this will play a key part in the overall process of assisting clients in navigating the changing conditions. Educating clients in how to comply with new regulation that affects the provision of custody is critical for any service provider that wants to provide added value—as well as helping them to identify where new opportunities may arise amid the shifting environment.

Having a clear focus on the client segments and geographies you want to grow, with a disciplined approach to pricing, helps to support a sustainable and profitable business model.

This is fundamental to how we operate at RBC Investor & Treasury Services, where we are a specialist provider, focused on our areas of expertise and where we can produce the best results for our clients. We think our strategy of focusing on our clients enables us to compete effectively against larger custody providers. Our agility also differentiates us.

“Educating clients in how to comply with new regulation that affects the provision of custody is critical for any service provider that wants to provide added value”

Tony Johnson, global head of sales and distribution, RBC Investor & Treasury Services

Plans include: client service and education

Regulation will continue to be a major driving force in 2014. The sheer volume of regulation being introduced in the post-trade arena is unprecedented. While some may struggle with the cost and complexity of that, we believe that regulation presents opportunities: opportunities to rethink, to innovate, to improve.

So, we're investing in our technology and infrastructure—around €30 million, for example, in TARGET2-Securities development—and we're doubling down on our strategy of marrying local expertise to a global presence. In a world where, for instance, market harmonisation initiatives in Europe can impact financial institutions in Asia, that approach enables us to provide clients with unique insights and service levels.

The other trend I see is the unbundling of fees. We should expect transaction fees to drop while asset servicing fees remain flat or even up. This will evolve in line with developments in the infrastructure, market participants and regulatory environment but I think you'll see people starting to charge separately for things like inventory management, liquidity, collateral management and regulatory reporting.

Ultimately, 2014 will be a year of consolidation for the custody business. Those that are committed, and that have the expertise, the reach, and the scale—they will prosper.

“I think you'll see people starting to charge separately for things like inventory management, liquidity, collateral management and regulatory reporting”

Thibaud de Maintenant, global head of direct securities services, Deutsche Bank

Plans include: technology investment

> Our plans continue to be influenced by our commitment to servicing our clients as close to their home market as possible

Penelope Biggs, head of the institutional investor group, Northern Trust

Plans include: expansion of data services, local offices, and regulatory investment

Northern Trust's business plans for 2014 continue to be influenced by similar factors to those in 2013, in particular the increasing demand for data and analytics, the global expansion of our client base and the growing raft of regulation.

Data and analytics

As the focus on risk management and governance continues across the industry, the demand for data solutions to support these requirements only increases. Clients have always needed reliable and accurate data, but today this needs to be more granular and delivered faster, often in a daily environment, for example transparency analysis, stress testing and shock testing.

This information is essential for clients to measure and monitor risk in their portfolios more effectively, increasingly integrating asset and liability information across all asset classes. We have already seen significant interest in institutional governance services and our suite of data and product solutions, and further development of these types of services is a core focus for 2014.

Global expansion of client base

Our plans continue to be influenced by our commitment to servicing our clients as close to their home market as possible, as well as being part of the local business community. For example, we recently opened an office in Riyadh in Saudi Arabia—our second in the Middle East—and will build on this commitment in 2014 at a time when the economy is growing and diversifying. Similarly in Europe, we established an office in Frankfurt, Germany in May 2013 to support our growing client base. We will continue to expand our presence and capabilities as our clients' needs evolve.

Regulation

Like many asset servicers we are now allocating a larger share of our cost base to support regulatory reform as we invest in new capabilities, technology and expertise enabling our clients to comply and take full advantage of the new regulatory landscape.

For example, we will build on some of our key developments from 2013, such as the expansion of our pan-European depository services, which now include the UK and the Netherlands, as we help European fund managers implement the Alternative Investment Fund Managers Directive (AIFMD).

In addition, we are further expanding our collateral and liquidity offerings to meet the expected growth in demand for eligible collateral and cash as regulatory changes start to take effect, mainly the European Markets and Infrastructure Regulation and the Dodd-Frank Act.

Northern Trust has been working on providing our clients with solutions that will reduce counterparty risk and improve transparency, helping them to see where every asset they own is at any point in time.

> Changing the alignment of the business as a whole is an action that any business should have done years prior

Drew Douglas, co-head of HSS (HSBC's securities services division), HSBC

Plans include: servicing 2013 mandates, new product spend, operational consolidation

Realigning the business

I think we've been in a sea of regulatory change, and changing the alignment of the business as a whole is an action that any business should have done years prior. We realigned our business about two years ago, removing the transaction banking layer of the group and aligning the securities services division with our global banking and markets division. This really focused on creating a core product for wider group relationships.

Two thousand and thirteen has been a year of reorganisation, restructuring, and has been extremely client-focused: we have rationalised parts of our client base, but expanded other parts of our client base. A lot of that has been done this year, so next year will be about bedding down the several significant mandates that have come in over the last year. We will continue to focus on costs, as any bank would, as well as global standards, regulatory compliance, and growth.

Costs

Our expectation is that there will still be pressure on margins, as large asset owners are, at the end of the day, still trying to reduce their costs.

Certainly the cost of regulation is something that people need to take into account. There are increased service levels that groups will have to pay for with the advent of the Alternative Investment Fund Managers Directive (AIFMD), and some expected changes in UCITS regulation—and the cost of depository services will almost certainly increase.

Where are there new services being provided there will be an increase in revenue for groups, but I think there is a continued focus by the client to see what margins are on foreign exchange, agency lending and the like. Banks will continue to look at client relationships from an end-to-end perspective, being very aware of what clients pay us for particular products and services.

Technology and product

We have significantly increased our technology

WE KEEP A WATCHFUL EYE ON WHAT MATTERS TO YOU

With our years of experience and track record in custody services, it is second nature to us to provide top class safekeeping and administration services while leading change in the Nigerian financial market.

For more information, contact Segun Sanni.
email: segun.sanni@stanbicibtc.com or
visit www.stanbicibtcbankcom

www.facebook.com/stanbicibtc

@stanbicibtc

Stanbic IBTC Bank

A member of Standard Bank Group

Moving Forward™

Moving Forward is a trademark of The Standard Bank of South Africa Limited.
Stanbic IBTC Bank PLC RC 125097

and new product spend over the last several years. We launched the new broker/dealer outsourcing service this year, and have expanded our UCITS product range over the last two years to the point where our own asset management business is now onboarded into Luxembourg—so I think that our expansion of product and product investment will be maintained at its current level.

Consolidation

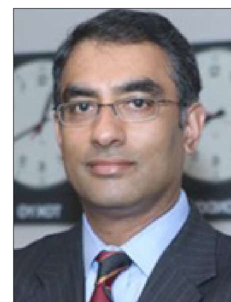
There are institutions looking to buy books of business, and I also believe people will look to add to their portfolio of product. We have seen over the last couple of years several of the banks acquiring certain fund services, derivatives processing and collateral capabilities. Some groups will look to acquire that which they don't have—and others will be looking to add scale to their current platform.

As to consolidation within our bank, I believe that it is possible to consolidate operations into an operational hub, and I think we need to look at centralising those processes from an efficiency standpoint. If you're going to self-fund, increase investment in product and technology, and hire robust people from a front-end perspective servicing the client—then operational processes need to consolidate into hubs. However, that does not mean that you don't build and have robust client service layers that exist closer to the client. I think it is a balance of the two rather than one-size-fits-all, and we will continue to look at operational consolidation.

Recruitment/hiring practices

We are seeing increased hiring around legal risk and compliance, and increased regulation has led to all of the banks beefing up their teams in this particular area. We also have an increasing book of business, so hiring for client service is important. On the flipside of that, we will be looking to trade operational efficiencies internally in terms of funding that increased investment in people.

"Our plan is to broaden the rollout of our Network 3.0 capabilities in our global network, and provide more comprehensive post-trade solutions for institutional investors"



Chandresh Iyer, managing director of investor services, Citi

Plans include: broader investor solutions across asset classes

Citi's strategy is to continue to deliver the power of its global network with more timely access to market expertise, broader investor solutions across asset classes, and information platforms to enable clients to manage risk, lower cost, and grow, while complying with regulatory requirements. To that end, our plan is to broaden the rollout of our Network 3.0 capabilities in our global network, and provide more comprehensive post-trade solutions for institutional investors. Citi's Network 3.0 programme was launched in January allowing clients to quickly and easily assess market infrastructure risk across multiple attributes.

"We're continuing our business transformation programme to allow greater real-time information delivery and greater customisation for clients"

Joe Antonellis, vice chairman, State Street

Plans include: real-time information, servicing of alternative assets

Our focus for 2014 is on several priorities with a single theme: building on our core capabilities to be an even stronger partner to our clients. We see opportunities to build on our strengths in areas such as the servicing of alternative assets, as institutional investors allocate more of their portfolios to these assets.

We're continuing our business transformation programme, to allow greater real-time information delivery and greater customisation for clients.

We also see big opportunities for our new State Street Global Exchange (GX) business to empower clients with research-driven insights and analytics in the front office. And we're focused on the challenges and opportunities created by regulation, including the AIFMD, the Foreign Account Tax Compliance Act (FATCA) and UCITS V. Where all of this work comes together is in how we're aligning our organisation to provide integrated solutions for clients, which enable them to navigate a more complex environment and take advantage of new opportunities.

Industry-wide, the ability to deliver on evolving client needs will be a defining success factor in 2014.

Not the common denominator

Calastone's managing director in Australia, Shannon Sweeney, says she is committed to working with the funds industry to help remove the fax from common usage. AST finds out more

MARK DUGDALE REPORTS

Could you explain the reasons for Calastone's entry into the Australian market?

Calastone is a global company. Its funds transaction network was already firmly established in Europe and was expanding into Asia when industry participants contacted the management team in 2010 to assess the market opportunity in Australia, as there were clearly opportunities to benefit from the Calastone solution in the country.

At the time, levels of automation within the Australian managed fund industry were low, less than 10 percent, compared with Europe which is more than 90 percent. With every meeting, we were hearing the same message: "We want to remove the fax from our processing", that faxes were "less efficient", with more "risk" for error and as well as less flexibility when it came to scaling up orders. Automation was the future.

In July 2011, Calastone Australia was established and began working with the industry to remove the general use of the fax machine. That November, the first organisation began utilising Calastone's network.

Currently seven of the top 10 Australian platform administrators—representing around 60 percent of the Australian market—now use Calastone's automated communication systems either directly or through their custodians.

How would you describe automation in Australia compared to, say, the US?

The US benefits from a strong centralised trading and settlement model in the DTCC and its NSCC services. Started in the 1970s and 1980s, it offers distributors and fund managers a one-stop shop for transaction and position data processing. The challenge is that, having been the single solution for so long, that as new distribution models arise—some which require new currencies and different settlement parameters—there isn't the degree of flexibility to match the growing set of requirements.

Calastone is still assessing the business case in the Americas and has identified some key trends, including the need for increased access across global markets, tapping into new distribution lines across regions and delving into potential market reforms, such as those affecting the at-and post-retirement markets.

However, by way of comparison with all regions, including the US, Europe, Asia and the UK, Australia's managed funds industry is traditionally less automated than its peers and Calastone has already recognised a real drive for automation by the funds industry in the last two years.

The superannuation market in Australia has recently had government reforms enacted that require participants to electronically connect for transfers between funds (called rollovers), and in 2014 the next wave of automation is legislated for the contribution to the funds.

What has been your specific product focus since you started at Calastone in February?

Calastone continues to innovate to provide the best solutions to help automate the funds industry. We are a global company, but we are also acutely aware of regional and national differences in funds industry requirements. Australia is an exciting opportunity to provide domestic customers with a solution to the managed funds industry's move to automation right now.

I joined Calastone in February this year because I saw that there was going to be an exciting transition in technology in Australia that would benefit the pensions industry as a whole.

I am committed to working with the funds industry to help remove the fax from common usage. As there are still parties yet to join the network and enjoy the benefits of automation, this is an ongoing focus. Calastone's initial product focus in Australia is order routing—the messages instructing the buying and selling of funds. We have also recently rolled out our second product, reconciliations, which will replace manual data flow for statements of holdings and transactions.

How do anti-money laundering and KYC processes hold back automation? Do you think that these processes can or will be changed at all in the future?

The Australian Securities and Investment Commission is considering a relief of the need for 'wet signatures' on product disclosure statements (PDS). The current need for a signed PDS, in conjunction with the AUSTRAC requirements for paper-based anti-money laundering and KYC requirements are certainly creating a barrier to entry for direct investors (or 'advised direct') into managed funds. These processes often encourage them to limit their investments to listed assets, or go through a more expensive aggregated channel, such as execution-only.

When you compare against broker accounts for buying and selling equities, or setting up a bank account, the services and processes are electronic and fast. This is in broad contrast to the process for managed funds and there is a lot of support for this to be changed, but most of lies in the hands of the regulator.

How does Australian regulation play into your product offering?

The level of regulatory reform that has been taking place for the last three years is finally easing. A new government is now in place, however, so we are still hearing discussion around whitepapers on further reform, which could have an impact on our clients' operations, funding or asset allocations.

We are seeing a growing trend of investors moving to DIY, self-managed portfolios for their pensions and investments, often referred to as 'self-managed super funds', which are not regulated by the prudential authority.

This move towards DIY, in addition to the Future of Financial Advice regulations (simplistically, the Australian equivalent of the Retail Distribution Review) affecting commissions and models of advice, are putting pressure on the platforms' business model, forcing them to redefine their value proposition and their fee models.

Our fund manager clients are looking to new distribution channels to align to this shift in terms of client segmentation. Calastone and its products help to reduce costs, lower the operational risks and provide accessibility between buy- and sell-side players, and hence is a key enabler against this changing landscape.

With regards to superannuation schemes, Calastone is a SuperStream gateway, servicing the regulatory requirements of superfunds, employers, payrolls and self-managed funds to comply with SuperStream standards.

The first phase was the automation for transfers between funds and in 2014 the next wave of automation is legislated for the contribution to the funds. Calastone built the new product offering in line with its global transaction network framework, to provide this solution to the market. AST

In the thick of the scrum

AST asks the president and CEO of Polish central infrastructure, Dr Iwona Sroka, how KDPW is getting ready to tackle EMIR head-on

How is the Polish market preparing itself for EMIR?

A key outcome of KDPW's strategy for 2010-2013 is the preparation of the Polish financial market infrastructure for the requirements of the European Market Infrastructure Regulation (EMIR) that, among other rulings, imposes the obligation of reporting details of derivative contracts to trade repositories and of clearing selected classes of OTC instruments in a central counterparty (CCP) clearinghouse.

All entities required under the EU regulations to comply with specific obligations, including reporting of contracts and clearing of trades in a CCP, will find the appropriate solutions available in our market. Furthermore, such services may be offered across the EU and they are competitive in terms of both price and quality. As a result of the projects being introduced by the KDPW Group, the Polish market can now provide services that also being offered by Europe's largest financial hubs.

What about KDPW and your CCP, KDPW_CCP? Do you consider yourself more prepared than other Polish institutions?

It has been our goal to prepare companies and institutions present in the Polish and European financial market for compliance with the obligations imposed by EMIR. In that, we have been successful. We have created a fully-fledged CCP clearinghouse, equipped with the required capital (€52 million) and have applied to the local regulator for its authorisation. Additionally, we have introduced an OTC derivatives clearing service and opened a trade repository.

The evolution towards a CCP in the Polish market started at the initial stage with the spin-off of a trade clearing guarantor, KDPW_CLEARPOOL, from KDPW in 2010.

In the second stage, that company took over clearing functions and the clearing guarantee and collateral management system while its name was changed to KDPW_CCP in 2011. This ensured the separation of risks specific to a clearinghouse from depository activities (in line with the best international practice and standards) while a new risk management system, based on the Standard Portfolio Analysis of Risk methodology, was introduced in 2011.

As a result, KDPW_CCP could launch the CCP service for the clearing of OTC derivatives. We took advantage of that opportunity and prepared a new business line serving new market participants by clearing and guaranteeing OTC trades, initially in Polish Zloty (PLN) denominated instruments (interest rate forwards, interest rate swaps, overnight index swaps, basis swaps) and treasury bond repos by 2012.

Instruments in other currencies will be supported as of 2014. What is important in terms of the quality and credibility of the Polish financial market is that we initiated the regulatory authorisation of KDPW_CCP under EMIR in mid-2013 after the company had been brought in line with the requirements of the ESMA technical standards.

We also opened a confirmation platform for repo and buy-sell-back transactions in 2013. As a complementary project to the harmonisation of KDPW_CCP with EU requirements, KDPW also launched a new trade repository service. KDPW was the first player in the region to open a trade repository, on 2 November 2012.

On 7 November, we were notified of the registration of our trade repository by ESMA as one of the first four repositories in Europe. It should be stressed that we are the only trade repository operating in this part of Europe. The registration application covered all types of contracts subject to the reporting obligation (both exchange-traded and OTC derivatives), which means that financial institutions do not need to use the services of two or more trade repositories.

What kind of new services do you have that are open to foreign financial institutions?

Our services are open to both Polish and foreign entities with no differentiation. Following ESMA's recent registration of the KDPW Trade Repository, we are now able to offer the service across the EU to all entities that are required to report details of derivative contracts under EMIR.

When we established the KDPW_CCP clearing house in 2011, we introduced the option of remote participation for foreign clearing members. The KDPW Settlement Agent function offers a solution whereby a KDPW_CCP clearing member without a corporate branch in Poland has its trades settled in KDPW (CSD) through the settlement agent's depository account.

How has your CCP deployed technology from Nasdaq OMX to help it meet EMIR rules?

> “As result of the projects being introduced by the KDPW Group, the Polish market can now provide services that also being offered by Europe's largest financial hubs”

NASDAQ OMX has provided KDPW_CCP with Sentinel Risk Manager, a product which handles the full transaction cycle, as well as the risk management requirements in the clearing of OTC instruments. We have integrated the module with our proprietary system, KDPW_Stream. We have thus created an optimum model which supports OTC clearing in our clearinghouse, KDPW_CCP. AST

Iwona Sroka
CEO
KDPW

With more than 1,500 clients, including the world's top 10 banks*, we know what it takes to support the industry's leaders.

Redefining post trade operations globally

SmartStream delivers highly flexible and innovative transaction processing software that supports critical operational infrastructures: from industry-leading reconciliations and cash management solutions to reference data management.

Our TLM® Solutions and Data Management Services enable you to rapidly respond to changing market demands – where efficiency, risk, cost and compliance are the new industry watch words.

See what we can do for your organisation, contact SmartStream today:

Card Processing Controls
Cash & Liquidity Management
Client Money
Confirmations Management
Corporate Actions Processing
Data Management Services
ETD/OTC Derivatives Processing
Reconciliations
Trade Finance
Trade Process Management
Transaction Fees Invoice Management

+44 (0)800 279 5465 (UK)
+1 (866) 603-1893 (Americas)
+65 6 224 76 89 (Asia Pacific)
info@smartstream-stp.com

smartstream-stp.com

* The Banker

Industry appointments

The London Pensions Fund Authority (LPFA), one of the largest local government pension scheme funds in the UK, has appointed **Robert Vandersluis**—GlaxoSmithKline's director of global pension investments—to its board as a non-executive director.

The appointment comes shortly after the release of the LPFA's annual report 2013, which showed that the fund grew by £427 million during 2012-13, to £4.6 billion.

At GlaxoSmithKline, Vandersluis manages a large derivative and investment portfolio, as well as providing strategic advice to the firm's trustees for pension funds in Europe, the US and Japan.

"Having developed and overseen the implementation of GlaxoSmithKline's interest rate and inflation hedging strategies, and established its London-based pension investment department, Robert is ideally placed to enhance the LPFA's expertise in asset and liability management," said a statement.

Vandersluis's previous roles include senior positions at Affinity Sutton Group and Ford Credit Europe Bank. In addition, he has served on the boards of five organisations, including The Pensions Trust, helping to direct the investment of £4 billion of assets for 36 defined benefit pension schemes.

Prime brokerage veteran **Jack Inglis** has been nabbed from Barclays to head up the Alternative Investment Management Association (AIMA) as its new CEO.

Inglis joins from Barclays, where he was a member of the global executive committee for prime services, and was previously CEO of Ferox Capital between 2007 and 2010. He also spent 16 years at Morgan Stanley where he was co-head of European prime brokerage from 2003-2007.

The appointment follows the announcement in June that current CEO Andrew Baker was stepping down. Baker had been CEO since the beginning of 2009, having previously been deputy CEO since 2007. Inglis will start in the role at the beginning of 2014, with Mr Baker remaining to oversee the handover until then.

BNY Mellon has expanded its global markets capabilities with the launch of a new Asia-Pacific capital markets business through The Bank of New York Mellon Securities Company Japan, based in Tokyo.

The company is now able to provide dealing services on an agency basis across a broad range of fixed income and equity securities for institutional clients in Japan and certain other countries in the Asia-Pacific region.

The company has added a nine-strong team of broker-dealer and capital markets specialists to its existing foreign exchange services capabilities in Tokyo. The new team is led by **Eiichiro (Eric) Masaki** who has been appointed as head of Japan capital markets sales and reports into Kazuma Yamashita, head of Japan global markets sales.

Masaki joins BNY Mellon from Societe Generale, where he was head of non-yen fixed income flow sales. In total, he has more than 20 years' experience in similar roles.

Weeden Prime Services has hired **Frank Napolitani** as its president in order to keep expanding the firm's prime brokerage business. In this role, Napolitani will focus on hedge funds, registered investment advisers and family offices.

Napolitani's most recent role was as the managing director of Prime Services Group with the firm Concept Capital, where he stayed for five years.

"I'm truly honored to be joining such a high energy and dedicated management team at Weeden," said Napolitani.

"Their well established brand in the institutional marketplace coupled with the innovative prime brokerage platform that WeedenPRIME has built including; leading-edge proprietary technology, portfolio and risk reporting, hightouch and electronic trading, capital introduction and access to top-tier custody and clearing partners will prove to be a formidable offering in the marketplace."

Weeden Investors bought the prime broker Saxis Group in April of this year, which was duly rebranded as Weeden Prime Services. **AST**

AST 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

Reporter: Daniel Jackson
danieljackson@assetservicingtimes.com
Tel: +44 (0)20 8663 9622

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

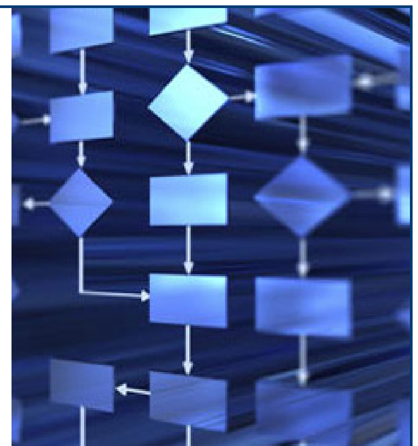
Marketing director: Steven Lafferty
design@securitieslendingtimes.com
Tel: +44 (0)20 8663 9628

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

Copyright © 2013 Black Knight Media Ltd.
All rights reserved.

Raising The Bar In Recruitment

Telephone: +44 (0)20 7643 2298 I Email: enquiries@hornbychapman.com
Web: www. hornbychapman.com I Postal: No.1 Poultry, London EC2R 8JR



The key to your hidden assets...

GOAL is the widely-acknowledged industry leader in providing creative products, services and solutions to automate and optimise the reclamation of withholding tax on cross-border securities dividend income and compensation claims on global securities class actions.

It is now more important than ever that investment advisors, trustees and fund managers are able to demonstrate business integrity, financial transparency and strong corporate governance as an integral part of fulfilling their fiduciary duties to protect the assets in their schemes.

Our research demonstrates that just over 24% of class action claims that could be filed by entitled parties are left unprocessed and unrecovered, despite opinion that institutional investors are legally obliged to instigate such claims on behalf of their clients. Historically, non-participation in U.S. securities class actions has cost investors and funds dearly, for instance between 2000 and 2011 nearly USD18.3 billion in U.S. settlements to which shareholders were entitled were not reclaimed.

Goal Taxback will undertake all the work necessary to recover excess withholding tax suffered on foreign income by utilising our proprietary software together with all the knowledge and expertise gained through years of experience in the business.

Goal's clients include hedge funds, several of the world's largest global custodians, asset managers,

private banks, pension funds, high net-worth individuals, investment banks, prime brokers and fund managers spread widely around the world.

GOAL GROUP LIMITED
7th Floor, 69 Park Lane, Croydon CR9 1BG **United Kingdom**
Level 19, Cheung Kong Center, 2 Queens Road, Central, **Hong Kong**
Level 27, 101 Collins Street, Melbourne, VIC 3000, **Australia**

Stephen Everard, Chief Executive Officer
severard@goalgroup.com +44 208 760 7130

Jonathan Hu, Director of Sales & Relationship Management – Asia Pacific
jhu@goalgroup.com +852 9864 7900

Andreas Costi, Director of Sales & Relationship Management – Australia and New Zealand
acosti@goalgroup.com +61 3 9653 7300

Please refer to our website for the contact details of our network of global sales and support agents
www.goalgroup.com

We combine Investment Management and Investment Servicing. It gives us

our unique view of the investment universe,

from global trends to decimal-place details.
That helps us attract the industry's brightest minds,
who create powerful investment strategies.
That can help lead to the success of a sovereign
wealth fund. The fund builds dozens of new schools.
And the schools build more bright minds.
Invested in the world.

BNY MELLON

INVESTMENT MANAGEMENT + INVESTMENT SERVICING

bnymellon.com

These illustrations do not depict actual clients or investment results. **The value of investments and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When the investment is sold the amount received could be less than that originally invested.** Past performance of any investment is not indicative nor a guarantee of future results. **If distributed in EMEA, this advertisement is a financial promotion for Professional Clients only. This is not investment advice.** BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries. Products and services may be provided under various brand names and in various countries by the subsidiaries, affiliates and joint ventures of The Bank of New York Mellon Corporation where authorised and regulated as required within each jurisdiction. Not all products and services are offered in all locations. This material is not intended, and should not be construed, to be an offer or solicitation of services or products or an endorsement thereof in any jurisdiction or in any circumstance that is contrary to local law or regulation. Issued by The Bank of New York Mellon Corporation with respect to services other than investment management. Issued in EMEA, with respect to investment management, by BNY Mellon Asset Management International Limited, BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1118580. Authorised and regulated by the Financial Services Authority. BNY Mellon Asset Management International Limited is ultimately owned by The Bank of New York Mellon Corporation. ©2013 The Bank of New York Mellon Corporation. All rights reserved.