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Eurex pays $47 million for stake in Taiwanese futures exchange TAIFEX

Eurex is acquiring a $47 million stake in the Taiwanese futures exchange TAIFEX, in a step forward for Deutsche Börse Group's Asia strategy.

Eurex Zürich, which is a subsidiary of Deutsche Börse, is becoming a minority shareholder of TAIFEX by purchasing a 5 percent stake in the exchange from Yuanta Financial Holdings, which will remain a shareholder in TAIFEX.

Reports suggested that the sale was due to regulatory constraints on Yuanta.

After the firm merged with Polaris Securities and Polaris MF Global Futures in April 2011, it was suggested that its shares then exceeded the regulator's limit of 5 percent of total shares in circulation.

"TAIFEX is excellently positioned, especially in Greater China, for the future internationalisation of the derivatives markets," said Andreas Preuss, Eurex CEO and deputy CEO of Deutsche Börse AG.

From May 2014, Eurex and TAIFEX are planning to list daily futures based on futures and options on the Taiwanese blue-chip index TAIEX for the first time after Taiwanese trading hours at Eurex Exchange. This Eurex/TAIFEX Link has already been approved by the Taiwanese regulator, the Financial Supervisory Commission.

This is not the first push for cross regional collaboration. IntercontinentalExchange, the electronic commodities trading platform, was arguably the first off the starting post with its purchase of the International Petroleum Exchange in London in 2001 (now Ice Futures Europe). More recently, it acquired NYSE Euronext in November to gain ownership over the LIFFE exchange, which has a large share of the market in European derivative contracts.

Oddo & Cie takes a five percent stake in EFA

Oddo & Cie and European Fund Administration have signed an international partnership agreement that will see the pair cooperate more closely.

EFA, a third-party administrator specialising in services to investment funds, will become the valuation and administration agent for the Oddo Asset Management investment funds and the investment funds of third-party asset management companies that are clients of Oddo & Cie, so far administered by Oddo Services.

Financial services group Oddo & Cie will become a shareholder with a five percent stake in EFA SA, which is based in Luxembourg.

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Asset managers are too unquestioning, says report

The Outsourcing Working Group has published outsourcing guidelines for asset managers.

The publication of the guidelines follows research published by the Financial Conduct Authority (FCA) on the amount of oversight practiced with outsourced functions.

The report was published in response to the growing popularity of outsourcing for critical functions in asset management.

One of the findings of the report was that while some asset managers conduct regular checks on the methods used by service providers, others simply accepted the data as supplied without performing any independent verification of their own.

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Oddo & Cie takes a five percent stake in EFA

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Oddo Services will continue to provide account maintenance and custodian services to these investment funds.

With the integration of Oddo's current valuation team, EFA increases its presence in France and now has 518 employees worldwide looking after 2720 funds and a total of €103 billion in assets under administration.

Philippe Oddo, managing partner at Oddo & Cie, said: "I am convinced of the validity of an independent valuation model for the investment funds and am delighted to work alongside the leading independent valuation services provider in Europe."

Thomas Seale, CEO of EFA, said: "We greatly appreciate Oddo Group's expertise in asset management, in addition to its in-depth knowledge of the French market. These characteristics guarantee the quality of our partnership."

Asset managers are too unquestioning, says report

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This may fall fowl of the FCA's requirement as set out in SYSC 811R. Senior management is obligated to take reasonable steps to avoid undue additional operational risk when relying on a third party for the performance of operational functions that are critical for the performance of regulated activities.

In doing this, the report found, asset managers take the risk that that they may not be receiving an accurate picture of the level of service.

The report stated that the group found in its investigations that asset managers were largely unprepared for the failure of a service provider undertaking critical activities.

The report recommended that asset managers should review their own outsourcing arrangements and enhance their contingency plans for the failure of a service provider providing critical activities, and assess the effectiveness of their oversight arrangements to oversee critical activities outsourced to a service provider.

It is noted in the findings that some of the asset managers that the group consulted said they were comfortable with not having a contingency plan in place because their service providers are part of systemically important banking groups that are 'too big to fail'.

This view was perhaps reinforced by the approach taken by the government following the financial crisis of 2008, but it is inconsistent with the FCA requirements that asset managers adequately manage the risks associated with outsourcing a critical activity.

The working group also found that some asset managers use offshore service providers, which further reduces the level of oversight on third parties.

The group aims to hold an industry briefing to present its findings in early 2014.

JTC Group makes another Guernsey purchase

Fund administrator JTC Group has made a further funds business acquisition in Guernsey, with the purchase of Anson Fund Managers.

Anson represents over £11.5 billion in funds under administration. Its clients include trading companies, open ended and closed ended funds and unit trusts, investment companies and limited partnerships.

It acts for a third of companies listed on the London Specialist Funds Market, and is company secretary and administrator to Guernsey's largest protected cell company business.

The fund manager's 22 staff employed in the Guernsey and UK offices will continue to work for JTC. Those in Guernsey will be moving to JTC's premises in St Peter Port.

Nigel Le Quesne, JTC Group CEO and chairman, said: "[Anson] is a first rate company

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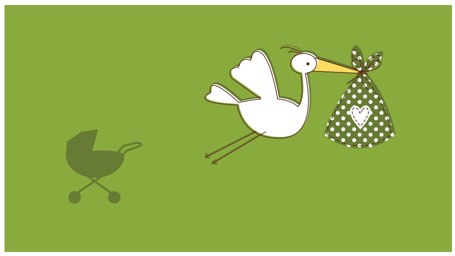


which already has a high calibre portfolio of clients and has earned high levels of client satisfaction. With its focus devoted entirely to providing fund and corporate services and a strong presence in Guernsey, AFML is an ideal fit as part of our continuing growth strategy of becoming a leading provider of funds services in key locations worldwide."

JTC Group acquired Ardel Fund Services (AFSL) in Guernsey in April 2013.

KSD and Clearstream cooperate on investment fund

Korea Securities Depository (KSD) and Clearstream, a subsidiary of Deutsche Börse Group, have signed a memorandum of understanding in Seoul.

The MoU will create a framework to support cross-border investment fund distribution by linking KSD's FundNet and Clearstream's global funds processing platform Vestima.

KSD and Clearstream agreed to implement the system linkage in 2014 and begin offering extended services to support cross-border fund distribution.

Senior managing director at KSD, O Moon Kwon, said: "The partnership with Clearstream will significantly enhance our cross-border investment fund distribution capabilities."

"In response to the diverse investment needs of customers we decided to establish a link with Vestima, the largest global fund processing platform which covers more than 120,000 investment funds. With this move we also promote lower costs and higher efficiency for our domestic [South] Korean asset management industry."

Philippe Seyll, executive board member and head of investment fund services at Clearstream, added: "We are pleased about the new link to KSD and the [South] Korean investment funds market, a major domicile for investment funds in Asia, where markets are gradually opening up to offshore funds."

BNY Mellon introduces liquidity administration service

BNY Mellon has introduced a new liquidity administration service as part of its fund of hedge fund offering.

The service will provide clients across BNY Mellon's alternative fund administration and traditional custody segments with enhanced liquidity monitoring, reporting and analysis.

The new service is aimed both at existing and public or corporate pension plans that require more sophisticated analytics and monitoring of their alternative investments portfolio.

The new service, which will be available through the BNY Mellon Connect Portal, is fully integrated with the company's custody and accounting systems, which helps to streamline trade execution instructions.

Alan Flanagan, BNY Mellon's global head of product management for alternative investment services, said: "Many organisations perform their own liquidity analysis through vendor software, internal applications, or manually."

"Being able to outsource liquidity administration offers clients more comprehensive analysis, improved scenario modelling, and greater transparency—all much sought after by both fund of funds managers and institutional clients with a large alternatives allocation."

As well as its new liquidity offering, BNY Mellon has also recently created a new service for fund managers that aims to help them identify, aggregate and manage the regulatory reporting requirements of the Alternative Investment Fund Manager's Directive (AIFMD).

Under AIFMD, alternative investment fund managers must file a specifically formatted report with their home member state's supervisory authority. The report requirements are extensive and cover aspects of both the fund manager and the fund, such as investment strategies, exposures, portfolio concentration, total value of assets under management, principal markets and instruments in which investments are made, plus detailed information on the funds' risk profile.

BNY Mellon will work with its fund administration clients to aggregate and collect the necessary data from designated sources, including managers, administrators, custodians, prime brokers and risk vendors as appropriate. The company will then populate the AIFMD Regulatory Report for the fund manager to review, approve and file with the National Competent Authority.

"Alternative investment fund managers are increasingly challenged by the growing global regulatory reporting demands of AIFMD," said Alan Flanagan, BNY Mellon global head of product management for alternative investment services. "Our seamless solution will provide them with a signature ready report for their approval and submission, enabling them to stay focused on investment strategy and management."

Professional association reacts to IIRC's new framework

In response to the International Integrated Reporting Council's (IIRC) international integrated reporting framework, professional management accounting association IMA (Institute of Management Accountants) has outlined several actions to transform corporate reporting to better serve the public interest.

"IMA and the IIRC are in complete agreement that disclosures must be improved in order to better inform investors and other key stakeholders about the sustainable value creation capacity and capability of enterprises," said Jeff Thomson, president and CEO of IMA.

IMA wrote a letter in June 2013 that stated that the end goal should not be to produce a single, integrated report—it should be to motivate disclosures that better inform investors and other stakeholders as to the sustainable value creation capability and capacity of the organisation.

It also commented that a good first step would be to clarify and simplify existing disclosures. It may turn out that interlinked or interconnected reports will produce a higher ROI for investors.

Assets under custody for Clearstream increase 7 percent

Clearstream's monthly figures for November 2013 showed that the value of assets under custody held on behalf of customers registered an increase of 7 percent year on year to a record €11.9 trillion.

Securities held under custody in Clearstream's international business increased by 6 percent, from €5.9 trillion in November 2012 to €6.3 trillion in November 2013.

In November 2013, 3.47 million international settlement transactions were processed, a 10 percent increase over November 2012 when the figure was 3.16 million. Of all international transactions, 82 percent were OTC transactions and 18 percent were registered as stock exchange transactions. On the German domestic market, settlement transactions reached 6.72 million, 12 percent more than in November 2012 (6.01 million). Of these transactions, 65 percent were stock exchange transactions and 35 percent OTC transactions.

In the investment funds services (IFS) division, 0.67 million transactions were processed, a 17 percent increase over November 2012 (0.57 million). At 7.18 million, the year-to-date November 2013 IFS number of transactions processed is 23 percent above the same period last year.

In global securities financing services, the monthly average outstanding reached €602.6 billion. The combined services, which include triparty repo, securities lending and collateral management, collectively experienced an increase of 10 percent over November 2012 (€549.4 billion). At €574.8 billion, the year-to-date November 2013 global securities financing monthly average outstanding is 1 percent above the same period last year.

Domestic German securities held under custody increased by 8 percent from €5.2 trillion in November 2012 to €5.7 trillion in November 2013.

Stefan Lepp, head of global securities financing and member of the Clearstream executive board, said: "We are encouraged by Clearstream's monthly figures, which show positive developments across all our business areas and another record reached in our assets under custody with €11.9 trillion. In particular, I am delighted with the 10 percent increase in our Global Securities Financing monthly outstanding, which reflects continued interest and confidence in our securities lending and collateral management products."

Guernsey signs FATCA agreement with the US

Guernsey has signed an intergovernmental agreement with the US government in relation to the Foreign Account Tax Compliance Act (FACTA).

It was signed by Guernsey's chief minister, Peter Harwood, at the US Embassy in London.

Harwood said: "Guernsey has been committed to exchanging tax information since it signed its first Tax Information Exchange Agreement (TIEA) with the US authorities in 2002."

"Today, we have enhanced those arrangements, and in doing so we have further enhanced our reputation and our leadership position on tax transparency. This is an important agreement for our finance sector. It gives them the long-term sustainability and stability that they have asked for clearly and consistently."

Jersey and the Isle of Man also signed similar agreements with the US government at the same time as Guernsey.

Fiona Le Poidevin, chief executive of Guernsey Finance, said: "I am very pleased that Guernsey has signed this FATCA agreement with the US. It builds on the TIEA we have had with the US since 2002, our adoption of automatic exchange of information under measures equivalent to the EU Savings Tax Directive in 2011 and the package of tax measures we signed with the UK Government in October."

Michael Betley, executive group chairman of Trust Corporation, believes that Guernsey's FATCA agreement will bring certainty to the financial services industry.

Betley, whose business has a number of US clients, said the FATCA initiative had been "enormously distracting and costly for industry" and was a further unwelcome burden of doing international business.

Betley said that the cooperative approach between the crown dependencies will pay dividends and avoid future uncertainty where there are pan-island client relationships.

"It is a relief that we have finally signed the US inter-governmental agreement, after many months of waiting. It has been a hard slog but at least we can now plan with a greater degree of certainty."

"The islands have been working hard together to produce some common guidance on the interpretation and management of both the UK and US FATCA process and it is hoped that these guidance notes, which are being finalised, will be released very shortly for wider consultation," he said.

The FATCA agreement was concluded 48 hours after Guernsey's parliament gave its unanimous approval and committed the island to continuing to meet the highest standards of tax transparency.

SGX is greenlit for derivatives clearing

Singapore Exchange (SGX) has become the first Asian clearinghouse authorised as a derivatives clearing organisation by US derivatives regulator, the Commodity Futures Trading Commission (CFTC).

New and existing US customers will be able to clear their derivatives contracts through SGX's derivatives clearinghouse in compliance with the latest US laws and regulations, including the US Dodd-Frank Act, the Commodity Exchange Act and CFTC's regulations.

To allow for an orderly transition, SGX clearing members which are not registered with the CFTC as futures commission merchants can continue clearing swap contracts for US persons via SGX Derivatives Clearing following an extension of the "no action relief" from CFTC to 31 March 2014.

"SGX is delighted to be recognised as Asia's first derivatives clearing organisation. This reaffirms our commitment to serve our US customers with the necessary regulatory authorisation. It also underscores our position as a leading exchange with the highest international standards and practices which clients can rely on for their business and risk management needs," said Muthukrishnan Ramaswami, president of SGX. SGX's derivatives clearing business and its securities clearing house, have also applied to the European Securities and Market Authority for recognition as third country central counterparties under the European Market Infrastructure Regulation in order to continue providing clearing services to EU customers.

Walk and talk like a CCP

Thinking like a CCP is the way to get ahead in the new cleared OTC world, was the conclusion of a recent whitepaper.

The whitepaper, from collateral management cloud technology provider CloudMargin, said that the adoption of CCPs in the OTC derivatives world creates a number of factors to consider for derivatives users, given that they are facing unprecedented levels of change with regulation driven central clearing taking effect.

"With regards to initial margin, a miscalibrated value can overstate the risk and require excess capital unnecessarily," the report continues. "Most firms want to validate CCP calculations, but lack the automation and technology of a platform like CloudMargin to do so."

"The report discusses how collateral agility is vital and the role technology plays," comments Andy Davies, co-founder and CEO of CloudMargin. "Having a clear collateral view makes operating an appropriate risk management strategy tangible."

Equity hedge fund inflows push industry assets to five-year high

Hedge fund assets under management have reached a 5-year high, according to a report by eVestment. The institutional investment research firm found that hedge funds are on track for assets to rise $256 billion in 2013, an 80 percent increase over the rise seen in 2012.

Investor flows into hedge funds were positive for a fifth consecutive month in November, and new allocations of $15.3 billion brought the five-month total of inflows to $68.5 billion.

Industry assets hit a five-year high in November of $2.84 trillion, and are now just 3 percent below figures last seen before the 2008 financial crisis.

Total industry assets are on pace to increase by an estimated $256 billion for 2013, an amount nearly 80 percent greater than 2012's $144 billion increase.

Equity strategies took in the majority of new assets in November as investor preferences for alternative exposure to current equity markets has become clear. Allocations to long/short equity funds in November were the largest in more than 50 months, since August 2009.

The turnaround of investor interest towards equity exposure has been significant, and appears to be at the expense of credit exposure. In the months 38 from May 2010 to June 2013, investor flows to equity outpaced credit only four times. In the five months since the end-of-taper alarm and ensuing US treasury rate spike, monthly equity flows have outpaced credit three times.

Clearstream extends the ICSD settlement day

Clearstream is extending the settlement day of its international central securities depository (ICSD).

The firm hopes that this will result in improved cash and securities deadlines for internal settlement activity as well as for domestic settlement with local counterparties in the US, Canada and Latin American markets.

The step will also facilitate the free flow of collateral within the extended deadlines.

From April 2014 it will be possible to settle internal and domestic US transactions via Clearstream until 20:00 CET, an extension of two hours compared to the current cut-off time of 18:00 CET. The US dollar cash deadline will also be extended to allow cash management closer to local market deadlines.

In a second step, in 2015, the deadlines will be pushed back by another 1.5 hours, extending settlement to 21:30 CET.

In a final step, Clearstream aims to offer settlement throughout the entire US business day in 2016. As it progresses towards its goal to achieve full coverage of the US business day, Clearstream will also offer improved cash and securities settlement deadlines on all its North and Latin American links.

Jeffrey Tessler, CEO of Clearstream, said: "This extension of both internal ICSD settlement times and securities and cash deadlines offer significant new flexibility for our customers and the markets we serve."

"They represent a first step in a planned series of reviews into the American operating day that will ultimately, by 2016, cover the full Business day EST. From a collateral management perspective, it greatly enhances our customers access to the highly liquid US market as well as the AAA-rated Canadian market through our Global Liquidity Hub."

First Names Group goes Christmas shopping

The trust, fund and corporate service provider First Names Group has purchased Citadel Services PSF Sàrl in Luxembourg—its third acquisition in a year.

The acquisition will provide the group with a sought after presence in Luxembourg.

Earlier in 2013 First Names bought international fund business Moore and trust and corporate service provider Basel. Citadel is an administration organisation offering corporate services from consultancy to accounting and, covers aspects of international tax planning, company and trust formation, and on-going administration for all associated structures.

Citadel and its team will begin operating under the new brand in Q2 2014.

Managing director of Citadel, Simon Baker, said that the acquisition will integrate the business in to a much larger group and present mutually beneficial opportunities for the future.

Morgan Jubb, CEO at First Names Group, said: “We have achieved a great deal in the last 12 months and our expansion into Luxembourg is a natural progression as we have been keen to gain a strategic presence there for some time. Citadel is a first step towards us gaining a significant presence in Luxembourg to enable us to provide trust, fund and corporate administration services out of this jurisdiction. The Citadel team are fantastic and I am very much looking forward to working with them.”

BNY Mellon capitalises on CLO recovery

BNY Mellon has been appointed trustee and portfolio administrator on Avoca Capital CLO X Limited, a €311 million collateralised loan obligation (CLO).

The facility is managed by Avoca Capital and arranged by Credit Suisse.

Avoca Capital and BNY Mellon have worked together on a number of previous deals, which include managed accounts, a CLO and a private equity structure.

BNY Mellon was the largest corporate trust provider by deal count for CLOs and collateralised debt obligations (CDOs) issued worldwide in the first nine months of this year—acting on 47 of the 156 deals to market.

“The European CLO market has recovered this year, for the first time since the financial crisis”, said Dean Fletcher, head of EMEA corporate trust at BNY Mellon.

“This is due to a convergence of factors: bond buying from central banks is providing more liquidity; record low interest rates are forcing investors to seek out higher yields; and the tightening of CLO spreads is making arbitrage more attractive.”

“The senior tranche of Avoca Capital CLO X Limited is priced at 140 basis points above the Euro Interbank Offered Rate, which is one of the tightest spreads in the European CLO market.”

Joe Duffy, country executive for BNY Mellon in Ireland, said: “This deal is testament to the strength of the Irish financial industry. Avoca Capital, which is a Dublin-based company, is at the forefront of the re-emergence of the CLO market in Europe. Through our Irish operations, BNY Mellon offers a comprehensive range of services to support such transactions.”

BNY Mellon will also act as custodian, account bank, cash manager, paying agent, transfer agent and registrar, corporate services provider, warehouse administration agent and ECB reporting agent for Avoca Capital CLO X Limited.

IOSCO publishes regulatory issues report

The International Organization of Securities Commissions has published its report on regulatory issues raised by changes in market structure, making four recommendations that seek to promote market liquidity and efficiency, price transparency, and investors’ execution quality in a fragmented environment.

The report identified possible outstanding issues and risks posed by existing or developing market structures and described how these risks should be addressed.

Finally, it recommended that regulators monitor the impact of fragmentation on market quality.

The report comes in response to a 2010 request from the G20 that IOSCO “develop recommendations to promote markets´ integrity and efficiency to mitigate the risks posed to the financial system by the latest technological developments”.

The report looked at the trading of equities and exchange-traded funds on the most common trading spaces identified in a survey of different jurisdictions, including exchange trading market systems, non-exchange trading market systems, and over the counter trading.

It did not include the trading of derivatives products.

The consultation report was published for public comment on 21 March 2013. Twenty-one comment letters were received from associations, brokers, banks, and data providers.

This final report outlined the current state of play in market structures in most IOSCO jurisdictions, affirming the main findings and challenges identified through the 2012 survey and the 2013 public consultation.

Hedge fund launches fall to three-year low

New hedge fund launches declined to the lowest level in nearly three years in Q3 2013, while the number of hedge fund liquidations rose to the highest level since Q4 2012, according to the HFR Market Microstructure Industry Report.

The trends in launches and liquidations occurred in Q3 as US regulators proceeded toward approval of the Volcker Rule.

The Volker Rule prohibits companies affiliated with banking entities from taking short positions with certain securities and derivatives. New fund launches totalled 231 for Q3, declining from 288 in the prior quarter and 275 in Q3 2012, representing the lowest quarterly launch total since the Q4 2010 when 220 funds were launched.

A total of 816 new hedge funds launched in the first three quarters of 2013, narrowly trailing the 824 funds launched in the same period in 2012. Hedge fund liquidations increased to 222 funds in Q3, an increase on the 190 liquidations of the previous quarter and the 211 of Q3 2012, representing the highest quarterly total since 238 funds liquidated in Q4 2012.

Continuing the trend of prior quarters, average hedge fund management and incentive fees declined industry wide, with average management fees falling 1 basis point (bps) to 1.53 percent, while incentive fees declined 11 bps, to 18.2 percent.

Similarly, management and incentive fees charged by the funds launched in 2013 were lower than those charged by funds launched in 2012.

Kenneth Heinz, president of HFR, said: “Hedge fund launches declined in the third quarter, as both managers, investors and financial institutions awaited the finalisation and regulatory approval of the Volcker Rule, which includes provisions restricting proprietary trading by financial institutions, as well as restricting ownership of hedge fund firms by financial institutions.”

“While the increased uncertainty has likely adversely impacted hedge fund launches in the short-term, over the intermediate to long term, the adoption of the rule is likely to result in increased hedge fund launches, as experienced investment professionals set up new funds utilising their trading acumen.”

NSD and BNY Mellon collaborate on depository receipts

Russian-based investors and brokers will be able to issue and cancel depository receipts in Russian companies thanks to an agreement between the National Settlement Depository (NSD), Russia’s central securities depository, and BNY Mellon.

The two companies have developed a structure by which depository receipts, issued by BNY Mellon on shares of Russian companies, can be converted into a share or vice versa in Russia within one business day.

This process currently takes between two and three business days. The structure will allow depository receipts to trade on the secondary market, settle and be used as collateral in repos by Russian market participants in their own time zone.

Eddie Astanin, chairman of the executive board of NSD, said: “We believe it will provide an added value service for our customers. As a consequence we expect to see increased interest from global investors working with depository receipts in the Russian securities market.”

BNY Mellon will act as custodian for NSD and depository bank for depository receipts trading in the Russian market.

Christopher Kearns, CEO of BNY Mellon’s depository receipts business, said: “This is a revolutionary solution for the capital markets because it’s the first time a DR will trade on its local market. DR’s trading in multiple markets at the same time is also a relatively new concept. This is another step towards the idea of a global security which allows investors to transcend geographical borders.”

LCH.Clearnet expands credit default swap clearing

LCH.Clearnet SA has expanded its credit default swap clearing service, CDSClear, to offer single-name CDS clearing.

The extension aims to provide the market with significant CDS portfolio margining benefits.

Using the expanded service, European members and clients can benefit from significant capital efficiencies through risk offsets between 187 single-names and existing index products through Monte Carlo Simulation VaR-based portfolio margining.

Gavin Wells, CEO of CDSClear, said: “With the addition of these 187 index constituents we believe the market will benefit from significant efficiencies. As regulations and clearing commitments evolve, we will continue to work collaboratively with market participants to ensure they can clear with confidence.”

Simon Morris, managing director and head of credit trading EMEA and Asia at Goldman Sachs, said: “We welcome the increased margin efficiencies generated through portfolio margining offsets of these 187 eligible single-names with the indices already cleared alongside the 86 additional single names now introduced to clearing.”

Chapman’s Eye on the market

Take heart, fresh start

While, in hindsight, some of my columns last year may have been a tad maudlin, I felt that they accurately conveyed the zeitgeist and prevailing mood of the market at the time: uncertainty, a lack of confidence and a semi-bleak outlook for the coming year. However, I’d say that has now changed. Whereas last year there was just a degree of blind hope that momentum would carry us to better things, there is now a palpable feeling of optimism in the air for a number of reasons.

There are teasing hints that decent net interest income levels will return sooner than we could have ever hoped for and those who can grasp the nettle of the Alternative Investment Fund Managers Directive—and the other 30-odd pieces of ‘relevant’ legislation coming down the pipe—will be rewarded. On this front, all credit to Northern Trust for its sterling efforts in building up the depository business in the UK. The bank will be the one to watch in this space. Likewise, increased optimism has led to a rise in the number of smaller firms having the confidence and desire to grow their market share, and these plucky, nimble newcomers will keep established players on their toes—SS&C Technologies, Wells Fargo, Alter Domus and U.S. Bancorp being just some of the names to watch out for.

This coming year, as ever, there will be some winners and losers, which is how it should be in a market structure—will it be the universal banks, the specialists, those offering a premium service or those going down the Primark (a low-cost British retailer, for the uninitiated) route of ‘stacking it high and selling it cheap’? Business, like life, is a series of trade-offs, and can you afford to be nice when there is no direct correlation with the bottom line?

From a hiring perspective, there is still, unfortunately, a misconception that nirvana can be achieved by continually buying in staff from outside rather than investing in the ‘Three Ts’ of ‘Time, Training and Trust’ for existing staff—and yes, I’ll keep banging on about it until people start to embrace it. Only one thing is certain—that it will all come down to the quality of the people employed and their drive, intelligence, morality and strategic thinking. Lots to look forward to, so let’s enjoy the ride.

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

Paul Chapman, managing director, HornbyChapman Ltd

Mandate Mangle

Global Prime Partners has been appointed as prime broker to private investment firm IPGL.

Global Prime Partners will provide a full range of prime brokerage services to IPGL including trade execution, clearing, custody and reporting.

Founded by ICAP CEO, Michael Spencer, in 1986, IPGL's portfolio has a wide range of financial interests including a 16 percent stake in ICAP, the world's largest interdealer broker, and a majority interest in leading spreadbetting firm, CityIndex.

Julian Parker, CEO of GPP, said: "IPGL is a prestigious client for GPP. The international reputation of its management and success and calibre of its investments, past and present, speak for themselves and to have been selected by IPGL to fully meet their prime brokerage requirements is a testament to the service expertise, high quality, and dedication of the GPP team. We are delighted to be working with IPGL."

AXA Investment Managers has extended its investment operations outsourcing mandate with **State Street** for an additional five years.

The firms have been partnered since 2004, when State Street was appointed to provide middle-office services, including transaction management, investment books and fund accounting, collateral management, performance measurement and reporting, across three countries for €300 billion in assets.

Since 2004, State Street and AXA IM have broadened their relationship and State Street now services more than 1200 AXA IM funds and mandates with approximately €500 billion in assets.

RBC Investor & Treasury Services, a part of the Royal Bank of Canada, has been appointed as custodian and fund administrator by Westwood Holdings for its emerging markets fund.

RBC will now provide the emerging markets fund with custody, fund administration, shareholder and trustee services, foreign exchange, financial reporting, and investor information services.

The fund was launched as the first sub-fund of the Irish UCITS umbrella, Westwood Investment Funds.

Tony Johnson, global head of sales and distribution at RBC Investor & Treasury Services, said: "Westwood appointed us thanks to our leading experience in servicing UCITS and our proven track record in supporting complex distribution models. Our ability to help Westwood understand all of the regulatory, product and distribution matters associated with this launch will enable us to fully support them and their growth strategy."

Swiss post-trade services provider **SIX Securities Services** has signed a partnership with KELER, Hungary's post-trade infrastructure, to provide international settlement and custody services.

KELER, which is owned by Hungary's central bank and the stock exchange of Budapest, serves as the sole central securities depository for Hungary.

The transfer of KELER's portfolio to SIX Securities Services was completed at the beginning of November.

CACEIS has been selected by Pioneer Investments to provide asset servicing and administration for the launch of its first French law fund, the Neuflize High Yield International 2018.

The fund will be managed as part of an exclusive partnership with Banque Neuflize OBC. CACEIS will provide Pioneer Investments with a wide range of services, including custody and depository functions, fund administration and the production of financial and regulatory reports. It also manages the fund's corporate governance and legal affairs.

The Neuflize High Yield International 2018 is a feeder fund that is fully invested in a master fund managed by Pioneer Investments and made up of a selection of high yield and/or unrated bonds with an average maturity of five years.

Its objective is to offer a higher return than the French government bond maturing in April 2018. To achieve this objective, the master fund invests in US (75 percent) and emerging market (25 percent) corporate bonds, denominated in euro or foreign currencies.

Joseph Saliba, deputy CEO at CACEIS, said: "We are proud to have been selected as the asset servicer for Pioneer Investments' first UCITS IV French law fund. It demonstrates the quality of our offering and our visibility among major international fund managers. It also serves to strengthen our long-term partnership with Neuflize OBC."

Hamburg-based investment manager Buss Capital has also selected CACEIS to provide depository services for its funds managed under the new KAGB regime.

The KAGB regime is Germany's implementation of the Alternative Investment Fund Managers Directive. It became effective in July 2013.

CACEIS is the largest depository bank and fund administrator in Europe. In November 2013, SachsenFonds, a real estate asset manager based in Berlin, mandated CACEIS to provide depository services for its alternative investment funds.

Dirk Baldeweg, executive director of Buss Capital, said: "Our aim was to select an experienced depository services provider to enable us to meet the KAGB regime's obligations while focusing ourselves on asset management. We have found what we require in CACEIS."

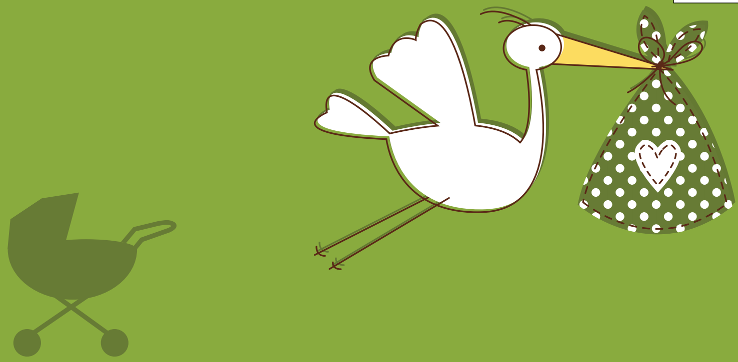
Holger Sepp, co-head and board member of CACEIS in Germany, added: "As an AIFMD-compliant depository, CACEIS serves a very broad range of asset classes. We are therefore delighted to handle the specific depository requirements of Buss Capital's container funds as well as other assets, and look forward to strengthening our working relationship further in the future."

International Financial Services (IFS) in Mauritius has chosen **eFront's** solution FrontInvest to support its private equity fund administration operations.

IFS is one of the largest fund administrators in the region, with a focus on serving India and Africa.

"Mauritius offers a number of market advantages that have contributed to the recent rapid growth in private equity fund administration services, including tax and investment protection treaties, fair regulations, as well as economic and political stability," said a statement from eFront.

"These attributes have resulted in an environment highly conducive to business expansion. In order to accommodate this market expansion and the constantly increasing expectations from its clients, IFS selected eFront."



Agreed on adoption

The CorpActions 2013 conference brought up the involvement of issuers, adoption of standards—and possible disruption to CSDs

GEORGINA LAVERS REPORTS

Unbundled settlement fees from other asset servicing fees was just one of the predictions made at CorpActions 2013, which offered insight to people within capital markets and the wider institutional investment industry.

In the first panel, which asked how the corporate actions landscape will look in the next few years and beyond, saw one panellist announce that 2015 would be the starting point of real operational change for firms.

Regulations such as TARGET-2 Securities, the Central Securities Depository Regulation (CSDR), and the European Market Infrastructure Regulation (EMIR) will mean that corporate actions will have to be processed quicker, through different counterparties—and that this will result (hopefully) in better portability of assets.

There were various predictions made throughout the day that the current total of 42 CSDs would definitely start to drop as regulations hit. On 7 March 2012, the European Commission adopted a proposal for a regulation on improving securities settlement in the EU and on CSDs. The regulation introduces an obligation of dematerialisation for most securities, harmonised settlement periods for most transactions in such securities, settlement discipline measures and common rules for CSDs.

Given the European Commission's attention to the systemic importance of CSDs and their strategic position at the end of the post-trading process, a new regulatory framework may mean that the smaller, more local CSDs will be left behind.

Another change in this new landscape will be around how one holds assets. The Alternative Investment Fund Managers Directive has introduced a strict liability regime, that covers cases of fraud, accounting errors, operational failure and failure to segregate assets held in custody by the depository or by a third party to whom custody has been delegated.

Segregation will thus be an important consideration for corporate actions providers, which will have to track assets much more closely.

Nat Sey, head of European product management at Interactive Data, said that the recurrent theme at the event was the industry's need to involve the issuers—a conversation that usually plays a walk-on role in other events.

"There was an event five years ago which a representative from the registrars community attended, and what surprised me was they had no idea of the pain being felt across the rest of the processing cycle—you'd think that as an industry, we would have been able to communicate something as basic as that by now, but we haven't. And to be honest, as an industry, I'm not sure we've done a very good job as of progressing things since then."

Sey added that in the case of the issuers, there are event processing failures that may occur that should interest them—a rights issue, for example.

"If an event announcement is not as transparent as it could be, it is unlikely that the issuer will get take-up of those rights as quickly as possible. But the issuers want fast take-up of those rights—and that is just one example. If we could just get an audience with them, it would be helpful."

Jostling for position

Another prominent topic at the event was the question of standardisation and harmonisation. Arnaud Delestienne, head of core product management at Clearstream, spoke about the T2S subgroup, which is focusing on standards for transaction management. But he stated that although T2S will allow centralised access to European markets and there can be a certain level of standardisation granted, that it would never be 100 percent.

As for adopting corporate actions standards, there was a question of whether there would be pushback from vendors, each keen to market its own proprietary solution. But Sey insisted that at its heart, corporate actions processing and provision is not competitive.

"The raw content [of processing] is available from many different vendors. What we do as a vendor is provide added value around that core: the customisation, functionality and service—all aimed at making the service as easy as possible for our customers to use. So we are perfectly happy to customise and compete on that basis but when it comes to the core standard, there is no reason to compete."

Sey pointed to various user groups as an example of vendors working together for the betterment of the industry. One such group is the market data provider user group (MDPUG), in which vendors such as Thomson Reuters and SIX Financial sit down to establish a way forward for the industry as it relates to the use of the ISO standards.

Daniel Byrne, co-chair of the group, said that it meets to form a view on what a data vendor can do with particular events, and how they should be interpreted.

"This year with standards, there are finally labels that have been introduced to cover income unit trusts and OICs in the UK around quite specific payment types. At an industry level for our client base these are real pain points, so we would form views on how a vendor can do that, and then publish a principles document that outlines the perspective of data vendors in terms of what data we are able to deliver."

Ultimately, it was agreed by all attending that data standards would be essential in the corporate actions space. As to whether there would be a rush to ISO 20022, a continued adoption of 15022, or choosing another standard altogether, remains to be seen. **AST**

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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

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Industry appointments

Deutsche Bank has hired **Maria Cristina Ricciardi** from Citigroup to act as its head of global transaction banking and head of trade finance and cash management corporates for Latin America.

Ricciardi will report to Susan Skerritt, head of global transaction banking in the Americas and Shahrokh Moinian, head of trade finance and cash management corporates for the Americas.

In addition, she will also have a local and regional reporting line to Bernardo Parnes, CEO of Latin America and chief country officer in Brazil. Ricciardi will be based in São Paulo. Most recently, Ricciardi was the head of the global subsidiaries group in Brazil at Citigroup.

Opus Fund Services has hired three senior employees to join its global management team.

Keenan Press joins as senior vice president from Dundee Leeds where he was vice president, head of investor relations.

Jake Strohman joins as vice president of fund accounting, from AlphaMetrix360 where he was senior manager of financial reporting.

Elizabeth Wright joins as vice president of fund accounting, from Northern Trust where she was second vice president of production services.

Meanwhile, it has been reported that the firm is to acquire the administration business of AlphaMetrix360. In October 2013, the National Futures Association said in a letter to FCMs that data would no longer be gathered by AlphaMetrix360.

The letter stated: "As you know, NFA and CME Group launched an initiative in February 2013 that automated the collection of end-of-day account balance information for customer segregated accounts. To launch the programme, NFA and CME Group contracted with AlphaMetrix360 to serve as its third-party data aggregator. Since that time, NFA and CME Group have taken steps to develop the systems needed to perform this function on their own."

Societe Generale Securities Services (SGSS) has appointed **Jason Nabi** to the newly created position of head of financial institutions and brokers for the UK.

He will report to Guillaume Heraud, who is global head of business development for financial institutions and brokers at SGSS.

Nabi has spent 25 years in the finance sector and brings experience of offering a range of banking and financial services to a global client base of institutions and investment funds.

He will be responsible for leading SGSS's business development strategy for financial institutions and brokers and its position across the client segment in the UK.

National Settlement Depository (NSD), Russia's central securities depository, has appointed **Svetlana Gryanchenko** as director of the cash settlement department.

In this new role, Gryanchenko will be responsible for organising and conducting cash settlements on the exchange and OTC transactions.

Since 1995, she has held various positions with Moscow Municipal Bank—Bank of Moscow (previously called Mosbusinessbank), Raiffeisenbank Austria Moscow and JSCB Soyuz.

The Securities Industry and Financial Markets Association (SIFMA) has confirmed the appointment of **Kenneth Bentsen** as president and CEO. Bentsen previously served as SIFMA's president.

This follows former Senator Judd Gregg stepping down as CEO. He will continue working with the association as a senior advisor.

Prior to being appointed president of SIFMA, Bentsen served as executive vice president of public policy and advocacy since 2009.

In that role, he oversaw SIFMA's legal, legislative and regulatory affairs. Prior to joining SIFMA, Bentsen was president of the Equipment Leasing and Finance Association. He was also a member of the US House of Representatives. **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

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

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Beckenham, BR3 1AT, UK