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Pictured from L-R: Morgan Jubb, David Preston and Mark Pesco

Guernsey is next on the list for the acquisition-hungry First Names Group

First Names Group has bought Guernsey trust, funds and corporate services provider Mercator, in what has become a long line of acquisitions for the firm.

The acquisition of Mercator (which remains subject to regulatory approval) is the fourth acquisition for the group since its management buyout in July 2012 and major rebrand in early 2013.

Boutique fund services business Moore Management in Jersey, international trust and corporate services providers Basel in Jersey and the British Virgin Islands, and Citadel in Luxembourg were purchased in January, July and December of 2013 respectively.

Mercator is an independently owned business based in Guernsey, providing professional services for private client, corporate, fund services and managed trusts. It will begin operating under the new brands towards the middle of the year.

In terms of local Guernsey management, David Preston will continue as the managing director of the trust and corporate business and director Mark Douglas will remain in charge of the fund services business, operating under the Moore brand.

The acquisition will also result in senior promotions within First Names Group. Mark Pesco, current managing director of Jersey, will become managing director of the trust and corporate business in the Channel Islands, overseeing the pan-island offices.

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Clearstream opens up non-T2S markets

Eurobonds and securities from non-T2S markets will now be eligible for settlement under TARGET2-Securities, following plans from Clearstream.

In a statement, the firm said that this expansion will be achieved by using the network of cross-border links to non-T2S markets of its international central securities depository (ICSD).

Clearstream will make its ICSD-issued securities (ie, Eurobonds) and also securities issued outside Europe available via T2S, which “represents a significant expansion of scope compared to the original universe of the T2S project”, said the firm.

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Gibraltar aims to be gateway for AIFMD

Gibraltar has become a full signatory to the Multinational Memorandum of Understanding of the International Organization of Securities Commissions (IOSCO)—a regulatory move that positions the territory as a gateway to the AIFMD zone.

Nicola Smith, managing director of hedge fund administrator Helvetic, said that the signing bolsters Gibraltar as a location for international hedge funds looking for a geographic foothold within the AIFMD zone.

The passport system established under the Alternative Investment Fund Managers Directive (AIFMD) allows funds to operate throughout the EU once they have received regulatory approval in one member country.

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Guernsey is next on the list for acquisition-hungry First Names

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Ben Newman, current client services director will be promoted to deputy managing director of First Names (Jersey) and Peter Clarke, director of compliance in Jersey, will become head of compliance for the Channel Islands. Sharon McMillan, who is currently the COO of Mercator, will become the operations director for the Channel Islands.

Managing director of Mercator, David Preston, said that Mercator had built a strong reputation and was a natural fit for First Names Group, allowing them to gain market presence in Guernsey. "I am delighted at the prospect of becoming part of a much larger organisation and the opportunities that will come as a result."

Morgan Jubb, CEO of First Names Group, said that the firm had been very interested in acquiring in Guernsey for some time. "We have successfully integrated the Basel business into our brand and culture and are committed to investing in the people, platforms and processes needed to support our objectives. I am naturally delighted with the success achieved so far in our acquisition strategy, in terms of economies of scale and increased market share."

Clearstream opens up non-T2S markets

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"Clearstream's decision will therefore further contribute to the harmonisation of cross-border flows in Europe and beyond."

So far, 24 central securities depositories (CSDs) have committed to joining T2S. Based on today's figures, the German CSD will account for approximately 40 percent of the future T2S settlement volumes, and therefore Clearstream—both as CSD (in Germany and Luxembourg) and an ICSD (global)—will use it as credible access point to T2S.

This means that through Clearstream's single network approach, which combines the CSD and ICSD network capacity, T2S settlements in euro central bank money via the German CSD could go beyond the European markets to include securities issued, for example, in Asia or Australia.

This development will offer customers greater flexibility while maximising the liquidity of their securities, said Clearstream.

Mark Gem, head of business management and strategy and member of the executive board of Clearstream, said: "Clearstream's strategy for T2S aims to enable the market to achieve significant savings on the indirect costs imposed by today's fragmented settlement landscape in Europe. Chief among these is the potential to concentrate collateral holdings by ensuring optimal collateral mobility between participants."

"But the liquidity costs associated with the cash side of settlement have been overlooked by many, including T2S stakeholders, until now. Today, participants are forced to settle the cash side of settlement instructions in each market separately despite the fact that we have had a single currency and a single payment system for some years. A key potential benefit of T2S that our strategy aims to unlock is to enable clients to settle from a single EUR treasury position, whether that is held in the TARGET2 payment system, with a commercial correspondent or with an ICSD."

"Clearstream will enable significant savings on the direct costs of settlement by passing on T2S fees at no margin. But the twin indirect savings that market participants will be able to realise through collateral mobility and liquidity efficiency are even more significant. That is the reason why we have decided to ensure that Eurobonds and all other products in Clearstream's ICSD network will be eligible for settlement in T2S."

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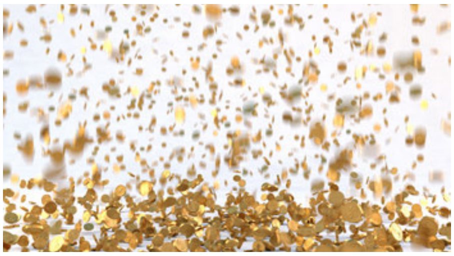

Gibraltar aims to be gateway for AIFMD

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The result has been an increased level of interest from international fund managers seeking territories that blend a skilled workforce, high quality provision of services such as audit and administration, and a regulatory framework that meets international standards. The memorandum is one more step that hopes to position Gibraltar in the global market as the gateway to the EU.

Smith said: "We will see 2014 as the first year which requires hedge fund managers to take positive action in response to the AIFMD. Key to the changes introduced by the legislation is the better transparency through increased monitoring and reporting on risk management and investment activities."

Clearstream enables investor access to ETFs

Clearstream, in partnership with Vestima, the largest global fund processing platform, will offer investors direct access to an actively managed PIMCO Source exchange-traded fund for the first time.

The ETF was listed on Deutsche Börse on 13 January 2014. Investors are now able to directly buy and sell shares in this ETF through Vestima in the same way as for a mutual fund. ETFs continue to enjoy growing popularity as investors increasingly value and benefit from unique features of these instruments.

Howard Chan, vice president and product manager for PIMCO's ETF products in EMEA, said: "ETFs are generally recognised as a highly attractive instrument for both retail and institutional investors. The availability on Vestima extends access to this ETF to a larger and new group of investors. Vestima reduces the execution complexities for those investors who use both ETFs and mutual funds in their investment portfolios."

Philippe Seyll, member of the executive board of Clearstream and head of investment funds services, said: "We are pleased to introduce the first actively managed covered bond ETF, managed by PIMCO, onto our Vestima platform, which currently gives access to more than 125,000 mutual funds. Our objective is to provide investors with a standardised process for all their fund transactions—from mutual funds to ETFs and hedge funds—by using the same platform."

Information Mosaic boosts Irish qualifications

Information Mosaic and Griffith College have joined forces to create a diploma for the investor services industry, with the aim of maintaining Ireland's strength as an investment funds centre.

Griffith College, Information Mosaic and the Chartered Institute for Securities & Investment's (CISI) new diploma is in investment operations and compliance. It is designed to be a benchmark qualification for investment operations professionals in all sectors of the industry, as well as those who are aspiring to work in a compliance role in the investor services industry.

Together with this new academic qualification, successful participants will also achieve the CISI Investment Operations Certificate (IOC) qualification. This is an internationally recognised professional qualification that features on the UK regulator's appropriate qualification table for investment operations staff and meets prescribed regulatory standards.

Ulrich Kunz, CEO and chairman of Information Mosaic, said: "As a specialist provider of securities processing and corporate actions solutions, we know first hand the importance of robust operations and compliance processes to ensuring the soundness of individual firms and the financial system as a whole. This programme will certify that investment operations professionals have the foundation to manage these critical activities and, in doing so, help maintain Ireland's position as a leading investment funds centre."

Clearstream's custody is solid for 2013

Clearstream closed off the year with a record €12 trillion in assets under custody held on behalf of customers.

In December 2013, 3.25 million international settlement transactions were processed by the firm, a 7 percent increase over December 2012 (3 million).

Of all international transactions, 83 percent were OTC transactions and 17 percent were registered as stock exchange transactions. For 2013, Clearstream processed 41.11 million international transactions, an increase of 5 percent compared to 2012.

For Global Securities Financing (GSF) services, the monthly average outstanding in December reached €594.8 billion. The combined services, which include tripartty repo, securities lending and collateral management, collectively experienced an increase of 7 percent over December 2012 (€555.7 billion).

For the year 2013, monthly average outstanding reached €576.5 billion compared to €570.3 billion in 2012, an increase of 1 percent.

Clearstream's investment funds services business processed 0.67 million transactions in December 2013, a 24 percent increase over December 2012 (0.54 million). In the year 2013, 7.86 million transactions were processed, a 23 percent increase compared to 2012 (6.36 million).

FundsNetwork appoints Bravura

FundsNetwork has selected software provider Bravura Solutions to support part of its multi-year programme aimed at enhancing the platform for advisers and their clients.

FundsNetwork will use Bravura's Sonata administration system to support the platform as it extends and integrates the range of investment products and tax wrappers that it offers, including brokerage, full cash management and additional tax wrappers.

Pat Shea, head of FundsNetwork, said: "Last year we announced our intention to launch a multi-year investment programme to enhance the platform and deliver new products and services. Since then, we have launched over 1900 clean share classes, enhanced the FundsNetwork Navigator managed service and launched a new pension in response to feedback we gathered from our adviser community."

Tony Klim, CEO of Bravura, said: "As one of the largest platforms in the UK, this contract is a significant milestone for Bravura and our Sonata solution. Modern technology is increasingly playing a pivotal role as platforms focus on operational efficiencies and profitable growth. Sonata will help FundsNetwork deliver the agility it needs to respond to the changing requirements of advisers and investors."

Canadian regulators lay down clearing laws

Canadian securities commissions have laid out rules in regard to seeking recognition as a clearing agency (or an exemption from the recognition requirement) under local rules.

They have also explained ongoing requirements for recognised clearing agencies that act as central counterparties, central securities depositories or securities settlement systems.

The Ontario Securities Commission (OSC), Quebec's Autorité des marchés financiers (AMF) and the Manitoba Securities Commission's proposed requirements are generally based on the Principles for Financial Market Infrastructures (PFMI).

The PFMI contains international standards for payment, clearing and settlement systems.

"The Canadian regulators note that implementation of the principles is an integral part of their efforts to develop a comprehensive regulatory framework for the trading of derivatives in Canada and is crucial to satisfying Canada's G20 commitments for OTC derivatives market regulatory reforms," said Alix d'Anglejan-Chatillon of Stikeman Elliott LLP in a report on the rules.

Securities regulators in British Columbia, Alberta, Saskatchewan, New Brunswick and Nova Scotia are also all aiming to create a similar rule.

Russia/Armenia link solidified

A partnership between Russia and Armenia has been confirmed, after the National Settlement Depository (NSD), Russia's central securities depository, and the Central Depository of Armenia (CDA) signed a memorandum of co-operation aimed at further development and strengthening of mutually beneficial relations.

The parties agreed to expand bilateral cooperation for the creation of an efficient and reliable system of record keeping for trans-border securities settlements.

According to the memorandum, the depositories intend to establish close business relations and to organise the exchange of information regarding securities received for servicing and changes in the documents regulating the record keeping systems' operations.

The parties also plan to exchange information regarding the technologies, standards and development plans they use and their participation in projects, working groups and other events of interest for both depositories. Eddie Astanin, chairman of the executive board, NSD, commenting on the development, said: "Development of strategic partnerships with central securities depositories of the CIS countries is one of NSD's priorities as Russia's central securities depository."

"Our joint work in the Association of Eurasian Central Securities Depositories contributes to it. We are sure that cooperation between Russia's and Armenia's central securities depositories will have a positive impact on the development of our countries' financial markets. The signed memorandum will allow us to facilitate access to information about securities serviced by the Russian and Armenian CSDs. This will improve our markets' transparency for investors in both our countries."

In October 2011, the depositories signed an agreement on opening and maintaining the NSD's nominee account with CDA. This allowed NSD clients to use safekeeping and record keeping services, as well as settlement services, on Armenian issuers' securities.

Gemini has a new hedge fund services business

Gemini Fund Services now has an expanded range of services for hedge fund clients.

Its parent, NorthStar Financial Services Group, has launched a hedge fund administration unit, Gemini Hedge Fund Services, as a new subsidiary.

Gemini Hedge is a provider of solutions for hedge fund managers, assisting with middle- and back-office duties, financial reporting and investor services.

"Gemini and NorthStar are leveraging best-of-breed technology and 30 years of experience bringing pooled investment vehicles to market to help hedge fund managers navigate an ever-changing landscape," said Andrew Rogers, CEO of Gemini.

"With more and more hedge funds adopting mutual fund administration, reporting and accounting standards, our dedicated team is well-positioned to assist hedge fund managers as they adjust to new regulations and investor expectations," added Rogers.

David Young serves as the president of Gemini Hedge.

Back offices have learnt from banks' mistakes

Untapped data gold mines are the future for fund administrators, predicted Confluence in a recent report.

The firm said that fund industry back offices will evolve from cost centres into growth drivers, and that new technology investments will enable them to deliver instantaneous and accurate information, thus creating competitive advantage in an increasingly global marketplace.

While regulatory and technological advances

have positioned the investment fund industry to become truly global, old technology has constrained growth, added the report.

It predicted that, in the coming year, downward price pressure from fund managers and growing demands to support international distribution will prompt new back office investments in both efficiency and innovation.

“It is no longer enough for back offices to merely cut costs. Going forward, the most innovative won’t just reduce—they will produce,” said Confluence COO Skip Smith. “They will also apply the lessons the banking industry learned more than a decade ago and find new ways to leverage data and automate to achieve real efficiency and drive growth.”

According to Confluence, this evolution from cost centre to growth driver will be facilitated by leveraging data as a strategic growth asset, the explosive growth of distribution in Europe, and investment advisers becoming less specialised.

BNY Mellon asset management unifies data

Markit’s enterprise data management platform has been chosen by BNY Mellon Asset Management to unify significant components of its data management operations and eliminate manual processes.

The first phase of the project will focus on amalgamating, cleansing and validating index data to create a master dataset for analytics. In subsequent phases, BNY Mellon plans to expand the usage of the platform to support the growing data management needs of its global subsidiaries.

Daniel Simpson, managing director and head of enterprise software at Markit, said: “Organisations on the buy and sell side recognise the need for an enterprise-wide platform to take control of their data and break down silos. BNY Mellon is doing just this by taking a top down approach to managing its data across the firm and its multiple global subsidiaries. The implementation will enable the investment manager to have complete confidence in the data used across the business.”

ALPS creates fixed income fund

ALPS has launched an open-end mutual fund designed to protect principal while producing high current income. The fund, called ALPS | Westport Resources Hedged High Income Fund, is the result of collaboration with Westport Resources.

The fund’s secondary goal is capital preservation, with the potential for appreciation.

“The ALPS | Westport Resources Hedged High Income Fund includes a number of ways to manage fixed income securities in a low interest rate environment,” says Tom Carter, president of ALPS Advisors.

“More than that, investors will have the potential benefit of a proven portfolio manager at the helm to execute on the fund’s strategies.”

ALPS is a DST Company focused on asset servicing and asset gathering.

Phoenix’s UK business shows strength

Phoenix Fund Services’s UK authorised funds business has grown more than 160 percent in 2013, with PFS in the UK now administering assets of £2.3 billion.

Phoenix Fund Services administers assets of £6.7 billion in total.

Patric Foley-Brickley, managing director of Phoenix Fund Services, said: “Phoenix is delighted that its UK authorised funds business has grown so strongly in the past 12 months. This growth has been driven organically by the extremely strong performance of the specialist fund managers for whom Phoenix provides authorised corporate director (ACD) and fund administration services.”

SGX experiences trading peak for derivatives

Singapore Exchange (SGX) recorded trading highs in derivatives trading for 2013, but noted that securities trading has declined.

For January to December 2013, stock market capitalisation declined by 0.6 percent to S$940 billion. On a total return basis, including dividends, the Straits Times Index was up 3.26 percent.

Derivatives total volume and daily average volume (DDAV) increased by 40 percent to 112 million and 459,362 contracts respectively, and the volume of SGX AsiaClear commodities almost doubled to 660,372 contracts and volume of iron ore swaps, futures and options cleared more than doubled to 590,648 contracts.

Securities daily average value (SDAV) declined by 20 percent to S$951 million year-on-year, and securities turnover was down by 16 percent to S$20 billion year-on-year.

However, OTC clearing was a success for the firm, with the volume of new OTC financial derivatives transactions cleared at S$3.7 billion, up 61 percent year-on-year.

OCC announces cleared contract volume of 4.2 billion

OCC cleared contract volume reached 4,170,855,768 contracts in 2013, up 3 percent from the 2012 annual volume.

The exchange ended the year with cleared contract volume reaching 325,905,926 contracts in December, up 3 percent from the December 2012 volume of 317,190,974 contracts.

OCC’s securities lending central counterparty activities saw an 8 percent increase in new loans from December 2012 with 93,274 transactions last month. Stock loan activity in 2013 was up 26 percent from 2012 with 1,233,708 new loan transactions in 2013, marking the highest annual volume for stock loan activity to date. The average daily loan value at OCC in December was $72,489,182,819.

2013 marks the second highest year for OCC cleared contract volume to date, just 430,100,181 contracts behind the 2011 record volume of 4.6 billion contracts. OCC also reported a record year for futures and stock loan activity in 2013.

Exchange-listed options volume passed 4 billion contracts for the third consecutive year reaching 4,111,275,659 contracts in 2013, a 3 percent increase from the 2012 volume of 4,003,871,308 contracts.

Total options volume for the month of December was 320,209,356 contracts, up 2 percent from December 2012. OCC cleared an average of 16,314,586 options contracts per day in 2013.

Futures cleared by OCC reached 59,580,109 contracts in 2013, up 56 percent from 2012 and the highest annual volume for OCC cleared futures contracts to date. Total OCC cleared futures volume in December was 5,696,570 contracts, a 22 percent increase from December 2012. OCC cleared an average of 236,429 futures contracts per day in 2013.

Eurex trading volume down in 2013

The international derivatives markets of Eurex Group ended 2013 with a turnover of approximately 2.2 billion contracts, a reduction of 100 million year-on-year.

The total volume for 2013 is comprised of 1.6 billion contracts traded at Eurex Exchange and 639 million contracts traded at the International Securities Exchange. This corresponds to a daily average trading volume of 8.6 million contracts.

At Eurex Exchange, the equity index derivatives segment was the largest in 2013 with a total yearly volume of 644.8 million contracts, down by 120 million year-on-year.

Derivatives on the EURO STOXX 50 index were the largest single product with 268.5 million futures and 225.1 million options. The equity derivatives segment saw 382.2 million contracts (down from 411 million in 2012).

Higher yearly volumes were recorded in the dividend and volatility derivatives segments: dividend derivatives grew slightly and totaled 7.1 million contracts, an increase of 200,000. Volatility derivatives totaled 7.3 million contracts, an increase of 38 percent.

Eurex Repo, which operates Swiss Franc, Euro Repo and GC Pooling markets, reached an average outstanding volume of 222.6 billion euros across all repo markets in 2013, down from 234.7 billion in 2012. The secured money market GC Pooling hit a new record with an average outstanding volume of 153.8 billion euros, an increase of 6 percent year-on-year.

OneChicago sees record results in 2013

Equity finance exchange OneChicago has confirmed a December 2013 volume of 1,174,205 and a total volume of 9,515,194 for 2013.

David Downey, CEO of OneChicago, said: "It is very simple. Lowering your cost structure provides higher yields and a competitive advantage. Customers using the security futures products are able to carry equity positions on much more favorable financing terms than traditional margin loans while allowing the customers to capture the benefit from the value of the position in the securities lending markets."

In December open interest stood at 489,272 contracts on the equity finance exchange at close-of-market, and 1,155,399 exchange futures for physicals and blocks were traded. December 2013 EFPs and blocks activity represented $5.7 billion in notional value.

Downey said: "2013 was a breakout year for the [security futures] product as customers began to grasp this concept. In addition, CTA participation increased dramatically as we were successful in introducing the futures side of the world to the vast liquidity pools on the equity side. We anticipate this will expand in the years to come."

Chapman's Eye on the market

Here w'ego

Ego (noun) – def: (i) self-esteem: somebody's idea of his or her own importance or worth, usually of an appropriate level. But also, (ii) inflated opinion of self: an exaggerated sense of self-importance and a feeling of superiority to other people.

The asset servicing industry has more than its fair share of 'characters'—people who are attracted by, and can cope with, its huge rewards, immense challenges, high media profile and constant pressures. Given the visibility of these folks, via regular networking, conference speaking and attendance, as well as the fact that our industry, despite its global reach, can sometimes resemble a small village in terms of a closeness and sense of community, these characters are, as we say in Scotland, 'well ken't faces'. By that I mean they are known and, in most cases, admired by those with less outgoing natures.

The abilities to sell (an increasingly important attribute in the industry) and also lead a team or business, require a high degree of confidence, self-belief and differentiation. However, there is a fine line between confidence and arrogance, which can, at times, be crossed to the detriment of the individual concerned, their reports and their banks.

Large egos can lead to a breakdown in the receive/transmit interaction and result in a disconnect between a leader and their staff or a firm and its clients. Culture in any firm comes from within and above, and certain firms welcome people who are strident, vocal, somewhat aggressive and, for want of a better word, 'thrusting'. I've found that, in my experience, those firms tend to act in the same way with their clients, which leads to a feeling of alienation, a lack of partnership approach and, eventually, the breakdown of a relationship.

Thankfully, for either a person looking for a new employer or a client looking for a new custodian/service provider, each and every bank is different in several ways and it is important for either job satisfaction or a good client relationship for a strong cultural fit to be established before any relationship is formalised. As Sigmund Freud once said, "ego is not master in its own house".

Ending on that rather deep note, I'll promise to be more upbeat next time!

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

Paul Chapman, managing director, HornbyChapman Ltd

Societe Generale Securities Services (SGSS) in Romania has been mandated by the European Bank for Reconstruction and Development to act as its custody bank in Romania.

EBRD is the largest institutional investor in the country.

Assets from EBRD are being progressively transferred to SGSS for custody and safekeeping, positioning it as a main local partner.

Under the terms of the mandate, SGSS will also provide other value-added custody services, such as settlement on the Romanian market for both stock exchange and OTC trading, and support for major local IPOs and government securities in the primary market.

EBRD is an international financial institution that supports projects in over 30 countries, from Eastern Europe to Central Asia and the Southern and Eastern Mediterranean. Investing primarily in private sector clients whose needs cannot be fully met by the market, the bank promotes entrepreneurship and fosters transition towards open and democratic market economies.

Through its activity in Romania in the coming years, EBRD will develop projects that will assist Romania in maintaining stability in the financial sector, to support further growth of Romanian enterprises and small and medium-sized enterprises.

EBRD is owned by 64 countries and two supranational institutions, the EU and the European Investment Bank.

BNY Mellon is, for the first time, providing depository and related services in Germany for closed alternative investment funds investing in property, agriculture, private equity and renewable energies.

The bank has been appointed as depository for a proportion of the alternative investment holdings of Alceda Asset Management GmbH in Germany and Alceda Fund Management SA in Luxembourg.

The mandate also covers assets held in alternative investment funds issued by Aquila Capital, an investment company for alternative investments and investments in real assets. Both Aquila Capital and Alceda are part of the Aquila Group.

In addition, BNY Mellon and Alceda Asset Management GmbH (as the designated portfolio management company on behalf of Aquila Capital in Germany) will work together to establish the first agricultural fund issued under the terms of the new legislation. Further funds are already in the planning stage.

Following the implementation in Germany of the Alternative Investment Fund Managers Directive (AIFMD) and the new Capital Investment Act (Kapitalanlagegesetzbuch—KAGB) on 22 July 2013, closed-end funds, which were previously unregulated, have to be managed by capital investment companies regulated by the BaFin, the Federal Financial Supervisory Authority.

Assets belonging to closed alternative investment funds are now required to be held by a depository, usually a custodian bank.

Michael Sanders, chairman of the board of Alceda Fund Management SA, said that the new statutory regulations in Germany have placed an ever-greater focus on transparency and investor protection.

The bank also snapped up another mandate this month, and is now the paying agent, common depository and fiscal agent on a tranche of hybrid bonds issued by Telefónica Europe BV.

The hybrid bonds, which are deeply subordinated guaranteed fixed-rate reset securities, raised £600 million and are "unconditionally and irrevocably" guaranteed on a subordinated basis by Telefónica SA, said a statement. These are the first hybrid bonds issued in sterling by a Spanish company since the financial crisis.

Telefónica's hybrid bonds will pay 6.75 percent interest per annum and have a non-call option for the first seven years which means the issuer can redeem them after this period.

"We have seen a recovery in the issuance of European corporate bonds recently, particularly in hybrid bonds," said Dean Fletcher, head of EMEA corporate trust at BNY Mellon.

"These are the first hybrid bonds issued in sterling by a Spanish company since the financial crisis. The fact the issuance was oversubscribed shows that there is strong demand for sterling denominated bonds from investors in the UK and elsewhere."

Telefónica is one of the largest telecommunications companies in the world in terms of market capitalisation and number of customers. Its mobile, fixed and broadband businesses are key drivers of its growth in Europe and Latin America.

HSBC has become the custodian bank for the first RQFII ETF (RMB qualified foreign institutional investor exchange-traded fund) to be listed in Europe.

The CSOP Source FTSE China A50 UCITS ETF is listed on the London Stock Exchange. This mandate provides further evidence of HSBC's ability to connect global investors with China as the pace of renminbi internationalisation accelerates.

The CSOP Source FTSE China A50 UCITS ETF, which listed on 9 January, was the first ETF to be listed on the UK stock market using investment quota approved under the RQFII pilot scheme, a programme launched in 2011 to open up investment in renminbi-denominated Chinese securities to overseas investors.

HSBC is providing a range of securities services to the ETF, including trusteeship, global custody, fund accounting and transfer agency as well as acting as RQFII custodian, having assisted CSOP Asset Management Limited (CSOP) in obtaining the approval for RQFII quota of Rmb 1.5 billion from China's State Administration of Foreign Exchange.

Cian Burke, global co-head of HSBC securities services, said: "HSBC is delighted to be the custodian that supported the first RQFII ETF to be listed in Europe. The listing of this ETF reflects China's rapid progress in opening up its capital market to global investors. Capitalising on HSBC's strength as the leading custodian bank in servicing foreign institutional investors in China and our ability to provide one-stop securities services under the UCITS platform, we look forward to supporting our clients in investing across the globe, including China as the liberalisation of its capital markets continues."

Northern Trust has nabbed a forestry pension plan mandate originally maintained by RBC Investor Services.

The IWA Forest Industry Pension Plan has named Northern Trust as global custodian for the C$3.1 billion pension fund serving nearly 70,000 members of Canada's forest industry.

As custodian of the assets, Northern Trust will also provide investment accounting, securities lending, compliance monitoring and performance services to the plan.

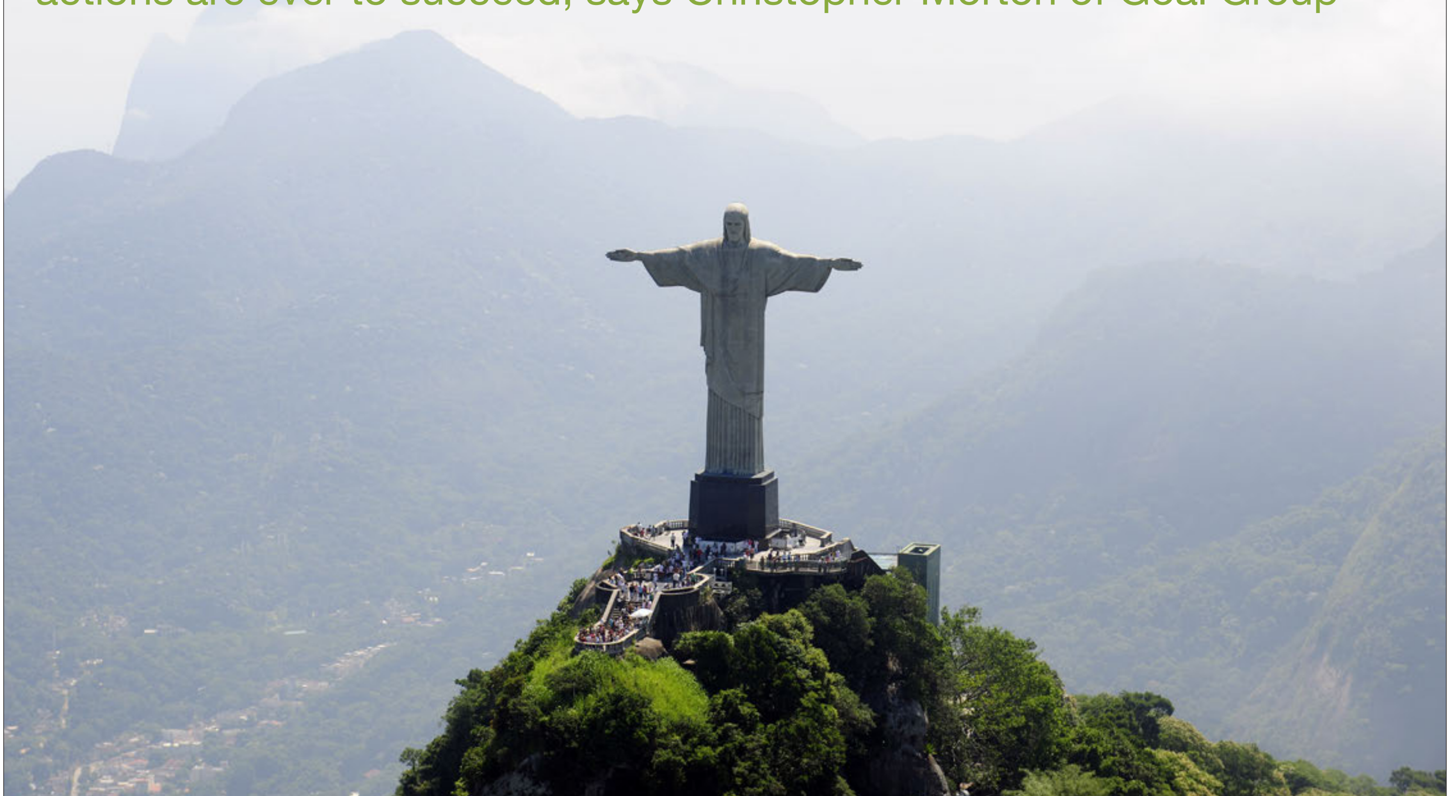
"Superior technology and expertise in alternative assets were key reasons for our selection of Northern Trust," said Colleen Troelstrup, director of investments for the IWA Forest Industry Pension Plan.

"Improved risk and performance analytics as well as user friendly presentation will enable enhanced reporting and more efficient internal processes. In addition, Northern Trust supports our expanding allocation to alternative investments with experienced staff and market-leading tools to monitor and manage a range of asset classes."

The IWA Forest Industry Pension Plan is jointly funded by approximately 400 participating companies and close to 70,000 members. The administration of the plan is overseen by a board of trustees equally representing the United Steelworkers (formerly I.W.A. Canada) and forest industry employers. **AST**

An unsuspecting nation

Individuals must be made more aware of lawsuit filings if Brazilian class actions are ever to succeed, says Christopher Morton of Goal Group



Class action growth outside of the US is now increasing rapidly. The ruling of the Morrison v National Australia Bank case in 2010 resulted in the US Supreme Court prohibiting f-cubed actions from taking place within the US. This means that a non-US shareholder, suing a non-US company, whose stock was purchased on a non-US exchange, is no longer able to bring their case in the US courts. Legislatures across the world have rapidly been developing legislation in response to a demand for securities class actions to be processed in alternative locations.

The US was long at the forefront of processing securities class actions but now legislatures such as Australia, the Netherlands and Canada are firmly asserting their ability to handle such cases. In South America, the picture is mixed and varies from country to country. Many countries currently do not allow class actions and prompt citizens to pursue claims in the US courts. Alternatively, some jurisdictions are actively encouraging claimants to litigate through their local courts as opposed to in the US.

Brazil, Argentina, Chile, Colombia and Mexico, have now adopted legislation that enables class actions and other forms of aggregate litigation. The new laws vary greatly by country, and range from the inclusion of a few provisions in a given statute to the comprehensive overhaul of several laws.

South America's largest country, Brazil, has been at the forefront of the movement to promote class actions in the region and has extended the predominant consumer class action focus to include, as Patricia Helena Marta, a litigation partner of TozziniFreire Advogados, elaborates, "the environment, consumers, cultural patrimony, economic/antitrust rights and other so-called diffuse, collective, and homogeneous individual interests." Residents from other jurisdictions can file claims in Brazil as long as they are able to guarantee the payment of court costs and legal fees payable should they lose the claim.

It is important to note that the Brazilian class actions system differs from US class action procedures. For example, there are no opt-in or opt-out mechanisms. It has been argued that the individuals, whose rights are protected and litigated under the Brazilian class action system, often do not become aware of the filing of the lawsuit. Public notice of the existence of the class action is made by a publication in an official newspaper.

International investors are able to bring securities class actions in Brazil. Goal Group's analysis of its class actions knowledge base predicts that by 2020, annual securities class action settlements in South and Central America will reach $620 million. With its legislation already in place, Brazil will likely account for a decent proportion the predictive settlement figure. A class actions trial in Brazil usually takes from about two to six years and can be a complex process, but the great settlement rewards should not be overlooked. In addition, there are now specialist service providers that can automate the complex process of class action participation across international legislatures at a relatively low cost. The pressure of the process can be dramatically eased by such support. AST

Christopher Morton
Sales and relationship manager for the Americas
Goal Group

The million dollar drop

Prime brokers must decide what pricing they can provide, unless they want to lose out in the Alternative Investment Fund Managers Directive battle

GEORGINA LAVERS REPORTS

Amidst the flurry and bluster of the Alternative Investment Fund Managers Directive (AIFMD), firms have been crossing their fingers that they are one of the lucky few that will profit from the new rules.

There are seven current depositories signed up in the UK (see the box on the right), and new depositories are entering into the market all the time, keen not to lose clients. KAS Bank and Northern Trust are the two latest to the craze, with both currently having applications in with the Financial Conduct Authority.

On top of a depository, some firms are creating depository-lite services for EU fund managers of non-EU domiciled funds.

SuMi TRUST Global Asset Services is one such entrant into this space. The firm, whose parent is Japanese monster Sumitomo Mitsui Trust and Banking (SuMi TRUST), came into being after it acquired an existing asset servicing platform in 2012—Daiwa Global Asset Services, which had 20 years of experience in Ireland.

In Japan, SuMi TRUST has around 40 percent market share of custody, trustee, asset administration and asset management, and $3.2 trillion dollars under custody, giving it a dominant position in Asia. Charles Bathurst, corporate and marketing advisor to the firm, explains that the team is keen to build out the SuMi TRUST brand in Europe and the US, where the firm is less well-known.

Working the kinks out

The main problem with the current attitudes towards the directive, says Bathurst, is the fact that many providers are being too hesitant about providing all of the key functions you have to do for the offshore depository.

"We're hearing people will do cash management, but not cash reconciliation, for example. It is very interesting and I know a lot of managers are frustrated that they cannot get a clean answer from their current administrator or prime broker as to what they are prepared to do for them."

Bathurst asserts that his prior experience with running asset management companies means that he can put himself in the shoes of the manager, who is getting a lot of conflicting advice from their lawyer, prime broker, custodian, and administrator as to what impact AIFMD will have on their business, and subsequent ability to raise assets in Europe.

"Managers are worried that the directive is going to cost a lot more money, that there will be operational interference in their business—and that it will simply create more and more bureaucracy and regulatory oversight. Traditionally, alternative funds, whether they be hedge funds, private equity or real estate, have been fairly on the periphery when it comes to the regulator's eyesight. They are very worried they will have to become mainstream asset managers such as BlackRock or Aberdeen."

SuMi TRUST UK's focus, he says, is working with these types of companies to cement the fact that they themselves will not have to do anything—it is the service provider that will police their current administrator or prime broker and provide an umbrella over the top of their business.

Another problem lies within proprietary competition between each provider. The prime broker and administrator to a fund may come from different businesses, but each will insist to the fund manager that it must act as sole counterparty—the prime broker, the administrator, and the depository.

However, taking counterparty risk by putting all of your eggs in one basket is completely counterintuitive to the inherent aim of the directive.

"The problem is that there are still a number of uncertainties in the directive that prime brokers don't want to commit to, and clients don't know when this will be resolved. A lot of the involved community—prime brokers, trustees and administrators—might be committed to fully servicing their larger clients, because they don't want to lose that business, but less so for smaller funds," says Bathurst.

He adds that prime brokers are happy to still be the custodian to these smaller funds, but need someone to oversee them to ensure they're monitoring the assets as much within the directive as possible.

Case study

"As far as we're concerned, AIFMD is just an extension of what we have always been doing," says Bathurst. SuMi TRUST in the UK does not have a UK depository, but rather an Irish depository that is allowed to be passported across to the UK and which can provide depository services for UK managers with non-EU funds (Cayman, British Virgin Islands, etc), that want to continue to market into Europe .

Bathurst says that the firm's unique selling point is that it is agnostic and open in its relationship with clients. "They can select various components of our offering and don't have to have it all, which is fairly unusual in the asset servicing space."

It would seem that, rather than attempting to scoop up the biggest business they can, firms must instead attend to the pressing rules of the directive. Some prime brokers have clients that they don't even know if they can safeguard under the AIFMD depository duties, and it is these that will have to commit to certain pricing, services, and understanding—and quick. AST

Current depositories and trustees of UK-based authorised funds

- BNP Paribas Securities Services
- BNY Mellon Trust & Depositary (UK) Ltd
- Citibank International Plc
- HSBC Trustee & Depositary Services
- J.P. Morgan Trustee & Depositary Company Limited
- NatWest TDS
- State Street Trustees Limited

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accelerating investor returns

A friendly standoff

Though Celent and ISDA disagree on whether automating portfolio reconciliation has been reactive or not, the case has been made for a better breed of technology

GEORGINA LAVERS REPORTS

Arguments are not usually solved by technology. Case in point was the recent media furor over Nigella Lawson, whereby a couple of exclamatory emails from her ex-husband, advertising mogul Charles Saatchi, led to her being cross-examined about alleged drug use while acting as a witness in a trial.

But technology can fix problems when it comes to portfolio reconciliation.

A Celent report on the topic commented that, while reconciliation has usually been reactive and driven by disputes, the trend in the last few years has moved the industry in a different direction.

In the report, Portfolio Reconciliation for Derivatives Markets: Well Begun Is Half Done, Celent studied the growing importance of portfolio reconciliation and how firms are trying to make the best of what has been an "operationally challenging" few years.

"Firms have strengthened their operational capabilities as technology has advanced, and regular reconciliation is becoming an important means of reducing risk as well as meeting regulatory requirements."

In an email interview with the International Swaps and Derivatives Association (ISDA), the association stated that following new regulation in both the US and Europe, firms are now required to perform portfolio reconciliation.

"Prior to the new regulation coming into force, the industry made great efforts via the regulatory voluntary commitment process to increase the frequency of portfolio reconciliation across the industry."

But the association disagreed with the statement that "reconciliation has usually been reactive", stating that the industry "was making great efforts" to proactively enhance and ensure robust risk management via portfolio reconciliation pre-2008.

"The introduction of mandatory portfolio reconciliation may have increased the frequency of portfolio reconciliation in some instances, however the regulation for the majority of industry players was just a continuation of business as usual."

The association has a portfolio reconciliation focused working group that it stated as meeting regularly to discuss any issues that the industry is seeing and to find industry wide solutions.

Both the US Commodity Futures Trading Commission (CFTC) and the European Securities and Markets Authority (ESMA) used the framework that the industry had already devised as a baseline for the new regulation.

ISDA assisted the industry by publishing protocols in both the US and EU to cover the legal requirements, for example, agreeing portfolio reconciliation terms ahead of entering into a trade under the European Market Infrastructure Regulation (EMIR).

It also issued an operation best practice for portfolio reconciliation for the purposes of EMIR at the request of its members which is available on the EMIR focus page—guidance, it said, that helped counterparties to identify which terms should be reconciled on a best practice basis in light of "limited prescriptive guidance from ESMA".

Driving the machine

The drivers towards automating reconciliation seem to be threefold, and consist of regulatory pressure, oversight, and cost.

The practice is crucial, said Celent, because it allows firms to obtain a better overview of the trading function. "Regulation has been a driver, as has legacy platform rationalisation, with firms relying on automation and streamlining of their reconciliation platforms. Having a number of legacy platforms across the trading function makes it difficult for firms to run their compliance optimally. Finally, in a tough economic environment, cost minimisation is becoming a mantra across the board."

ISDA could not provide details as to when vendors had been offering automation from, or an estimate of how many portfolios are reconciled. It gave only one reason for automation: to improve business efficiency.

Susan Hinko, the global head of industry relations for TriOptima, discussed how the firm launched its solution triResolve in 2006, as a portfolio reconciliation service working with the sell-side banks.

The portfolio reconciliation and dispute resolution obligations imposed by EMIR had US deadline dates of 15 September and 23 August 2013. But, Hinko said, a lot of the market hadn't had to reconcile their portfolios until 15 December, because they work quarterly.

She added that the new regulations requiring financial institutions (FIs) and non-FIs to reconcile OTC derivatives had led to a spike in firms using triResolve, with more than 7 million trades being reconciled regularly through the service.

> "Firms have strengthened their operational capabilities as technology has advanced, and regular reconciliation is becoming an important means of reducing risk"

"US firms do not have the same reporting requirements, and it is only a sub-section of the market that has to deal with them—swaps dealers mainly—but from their requirements comes a knock-on effect to the rest of the industry."

In Asia, there is no requirement but again, there would be a knock-on effect—for example, J.P. Morgan telling Japanese banks that in order to trade with the US they have to follow the requirements.

ISDA has really taken the initiative, said Hinko. More than 6000 members signed up to the association's EMIR protocol, which enables parties to amend the terms of their protocol covered agreements to reflect the portfolio reconciliation and dispute resolution requirements imposed by EMIR, as well as to include a disclosure waiver to help ensure parties can meet the various reporting and record keeping requirements under EMIR without breaching confidentiality restrictions.

Hinko also pointed to the ISDA working group in Asia as using automated reconciliation, and that firms had recognised significant benefits. It is just up to the rest of the world to follow suit, and realise that technology can be the solution, rather than the problem.

Industry appointments

BNP Paribas Securities Services has hired **Alexandra Ricciardi** to extend the firm's collateral franchise to North America.

Ricciardi will be based in New York as the head of product development for collateral services in North America.

The newly created position enables US and Canadian based clients to access the bank's services locally. BNP Paribas continues to flourish in Europe with its collateral offering, and recently enhanced the service with the launch of the 'collateral access' suite of products in June 2013.

The bank's clients in Europe and the Asia Pacific will also be able to access the service in North America once the launch is complete.

Ricciardi has been hired to oversee the expansion locally in the US and adapt the product to the nuances of the American market. The launch is expected in Q2 of this year.

Ricciardi's most recent role was at J.P. Morgan.

The Options Clearing Corporation (OCC) has reshuffled its leadership team, and appointed **Craig Donohue** as executive chairman, with **Michael Cahill** becoming president and CEO.

In his role as executive chairman, Donohue will preside over OCC board meetings and will be responsible for OCC's control functions and external affairs.

As president and CEO, Cahill will provide oversight for day-to-day business operations, overseeing technology, risk management, business operations, finance and legal affairs.

As part of its executive transition plan, OCC has also promoted **Michael McClain** to COO. In this new role, McClain will be responsible for business operations and technology. McClain joined OCC in 2001.

The London Pensions Fund Authority has made the appointment of **Susan Martin** as CEO official. Martin has been interim CEO since August, and was previously deputy CEO.

Martin has been with the LPFA since 2007. A statement from the LPFA said that she will focus on delivering change at the LPFA and, should the minister so decide, within the wider Local Government Pension Scheme (LGPS), some of whose 89 funds are facing challenging times in meeting large deficits.

Edi Truell, chairman of the LPFA, said: "I am delighted to announce [Martin's] appointment as CEO of the LPFA, which comes as we prepare for what will be a pivotal year for public sector pensions in the UK. Local government minister Brandon Lewis's call for evidence into the future of the LGPS is a once in a generation opportunity to solve real issues and reduce deficits." August, and was previously deputy CEO.

Martin's appointment follows the recent release of the LPFA's Annual Report 2013, which showed that the fund grew by £427 million during 2012 to 2013, to £4.6 billion.

Kelly Gouveia has joined Deutsche Bank's fund services business as a vice president and head of its trustee business in Jersey.

The bank's fund services business in Jersey provides third party fund administration, trustee and transfer agency services to hedge funds, private equity, real estate and fund of fund managers, servicing $200 billion of assets globally.

Gouveia, who was most recently at Altis Partners, will be responsible for ensuring the proper governance of the trustee function, evaluating prospective new business, and assisting the wider EMEA depository team where required.

Andreas Tautscher, chief country officer for Deutsche Bank in the Channel Islands, said: "I am delighted to welcome [Gouveia] to Deutsche Bank in Jersey at an exciting time of expansion for our Funds Services business. Her extensive knowledge of local regulation combined with her expertise in implementation of new regulation, risk assessment and compliance monitoring will be an asset to our team." **AST**

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