AST ASSETSERVICINGTIMES

ISSUE084
WEDNESDAY 05.03.2014
assetservicingtimes.com

Hedge fund managers cite cost and quality for moving service providers

Hedge fund managers are changing their service providers, particularly administrators and prime brokers, because of low-quality service and high cost, a survey has found.

Research and consultancy firm Preqin surveyed more than 100 fund managers at the end of 2013 to find out more about whether they had changed service providers and what had prompted the change.

A third of all fund managers have changed a service provider in the past year, with European and North American fund managers being the most active in switching service providers in 2013.

In the past five years but excluding the last 12 months, 41 percent of fund managers have reported that they have changed a service provider.

Asian Pacific and North American fund managers were the biggest changers, with 55 percent and 46 percent changing their service providers over the longer time period.

Fund managers changed their administrators and prime brokers most frequently. In the last 12 months and previous five years, more than half of all fund managers moved to another provider.

European fund managers have changed their prime brokers the most, because "with the large choice of prime brokerage houses in Europe, funds in the region have more options to switch to a provider that can better fulfill their needs", commented Preqin.

Fund managers in Asia and the rest of the world have "more limited options available to them"

readmore p2

RMB to love it if Clearstream's plan comes together

Clearstream has set out its market approach to developing and delivering solutions to help support the internationalisation of the renminbi.

It wants to bring together market providers and participants to collectively enable foreign investors to further invest in the Chinese currency, help develop solutions to increase offshore RMB liquidity, enhance the depth and breadth of RMB products and services, and facilitate both growth and maturity in the offshore RMB bond markets.

To deliver on this, Clearstream is actively seeking partners to join in building and implementing the components that will help establish and facilitate an international offshore RMB market.

readmore p2

Grassi & Co launches new fund admin business

Grassi & Co has launched a new fund administration entity—Grassi Fund Administration Services (GFAS).

GFAS will take over the more than $3.6 billion in assets under administration, previously administered by Grassi & Co. Jim Anziano and Avi Rosenblatt will lead the new entity.

Anziano and Rosenblatt specialise in assisting clients with reducing business risk and adjusting to regulations and investor expectations of the market.

GFAS will utilise technology such as Advent's Geneva and Geneva World Investor software, to solve the challenges faced by hedge funds, global asset managers, private equity funds and mutual funds.

readmore p2

ASTINBRIEF

Hedge fund managers cite cost and quality for moving service providers

Continued from page 1

"On the other hand ... [they] are the most likely to change fund administrator; three-quarters of all the fund managers in the region have switched their administrator."

"Overall, fund managers are least likely to change service providers that provide custody or auditing services, particularly in the shorter term."

Dissatisfaction with the quality of service offered is the leading reason for switching service provider.

"Although fewer fund managers gave this as the reason they changed service providers in the short term, indicating managers have seen some improvement, there is still clearly a long way to go for many service providers in keeping hedge fund managers satisfied with the quality of service they receive."

Asia Pacific and rest of world fund managers in particular reported dissatisfaction with the service they received. Eighty-six percent of those surveyed gave it as their reason for switching providers.

"As these emerging regions for hedge funds continue to grow in prominence, service providers will need to re-evaluate their services in each region and ensure they are able to offer the same quality and reach of fund services as they do in the established European and North American markets."

Cost was the next leading cause for fund managers to switch their service provider, with Preqin finding that "fund managers are being squeezed between investors looking for lower fees and rising costs as a result of investor demands, increased technology demands and the new cost of compliance".

Interestingly, in North America, concerns around cost are less frequently cited as a reason for them to switch service providers.

"For these North America-based fund managers, the changing size of the fund/issues around scale are the greatest concern, with this being the only region where fund managers expressed this as a reason for switching service provider. North America-based funds have had the greatest success in fundraising over recent years, and as their funds grow, many funds have switched to service providers that are better able to cope with their larger capacity."

RMB to love it if Clearstream's plan comes together

Continued from page 1

Clearstream also plans to leverage its international infrastructure to act as a reciprocal gateway between Chinese and non-Chinese investors, and issuers and other market participants.

Since the launch of the offshore RMB programme in 2009 and China's recent new measures aimed at internationalising its currency, there has been impressive appetite for this growing world currency.

China is the second largest economy in the world with its currency presently standing in 8th place as a world payment currency by value, having risen from 20th place since 2012, according to SWIFT statistics.

But RMB currently accounts for less than 9 percent of global trade finance volume, while the US dollar accounts for more than 81 percent.

To help develop and execute its RMB market approach, Clearstream is working with the trade finance industry, investment funds industry and the global securities financing industry such as collateral management providers.

Simultaneously, Clearstream can facilitate the efficiency and liquidity of the offshore RMB cash market by funding the demand for offshore RMB in one region with supply of offshore RMB from another region, all secured by collateral held on Clearstream's collateral management platform.

Services and products to be explored include triparty repo solutions for increasing interbank market liquidity in RMB, cash management, bonds issuance and the development of new offshore products and services including in the funds area.

Head of global client relations and executive board member of Clearstream, Philip Brown, said: "A cornerstone of Clearstream's business strategy is to facilitate and support our customers' increasing demand to invest in the Asian markets. The internationalisation of the Renminbi that the Chinese authorities pursue is currently one of the most exciting developments in this space that we, as a core market infrastructure provider, have been supporting since the early days."

"We have a clear vision and market approach to help take this agenda forward—together with partners from across the market we intend to contribute to the development of a truly international offshore market for the Chinese currency."

Grassi & Co launches new fund admin business

Continued from page 1

Grassi & Co managing partner, Louis Grassi, commented: "Launching an entity that is solely focused on assisting managers with their daily accounting and administration operations will enable us to provide an even higher quality of service to help them meet their strategic objectives."

Northern Trust strengthens Malaysian presence

Northern Trust has opened a Malaysia office to support current institutional clients and develop Northern Trust's businesses in Malaysia and the wider region.

The office in Kuala Lumpur will be led by newly appointed chief representative Ariani Rustam, who joined from Bank Negara Malaysia—the country's central bank. Northern Trust celebrated the official opening of its office with an event for regulators, clients and industry peers.

William Morrison, president and COO of Northern Trust, commented: "Malaysia is a dynamic country with a growing economy and increasing global investment, presenting an opportunity for growth in the services that we offer to large, sophisticated institutional investors."

Northern Trust has provided global custody and related services to Malaysian clients since

2009, leveraging its global operating model with centres in Singapore, Bangalore, London and Chicago. As chief representative in Malaysia, Ariani will coordinate relationship building in key financial segments such as sovereign entities, government agencies, pension funds and insurance funds.

Ariani comes to Northern Trust after 12 years at the Bank Negara Malaysia, where she has been a senior executive in risk management, operations, quantitative analytics and, for the last five years, manager of the external fund management division, where she led the introduction of new asset classes to diversify the investment of the bank's reserves.

Asia Pacific is the fastest growing region for Northern Trust, with assets under custody growing at an annual rate of 26 percent from 2008 through 2013, and assets under management growing by 15 percent annually over that five-year period.

BNY Mellon to acquire HedgeMark in full

BNY Mellon has signed an agreement to acquire the remaining 65 percent interest of HedgeMark International LLC, a current affiliate and a provider of hedge fund managed account and risk analytic services.

The deal is expected to close in Q2 2014, subject to regulatory approval. Financial terms of the transaction were not disclosed.

BNY Mellon has held a 35 percent ownership stake in HedgeMark since 2011.

Founded in 2009 and headquartered New York, HedgeMark assists in the structuring, oversight, and risk monitoring of hedge funds, specifically dedicated managed accounts.

More and more, institutional investors globally are using dedicated managed accounts—single investor funds—as a way to invest in hedge funds that allow for greater customisation, transparency, liquidity and control.

Samir Pandiri, executive vice president and CEO of asset servicing at BNY Mellon, said: "As institutional clients continue their shift into alternatives, especially hedge funds, this acquisition will enable us to better meet demands for improved governance, risk reporting, and transparency."

"We'll be able to integrate HedgeMark's capabilities with our global risk solutions offerings to set a new industry benchmark on risk and transparency. It marks the next step in our strategy to provide sharper insight into hedge fund investments and enterprise risk across a client's entire portfolio."

Ken Phillips, founder and CEO of HedgeMark, has announced his intention to retire once the transaction has been completed. HedgeMark's board of directors will appoint Andrew Lapkin, the current president, as its new CEO.

State Bank of India nails its colours to the mast

Wolters Kluwer Financial Services has announced that the State Bank of India, the largest multinational financial institution in India by assets, has selected its regulatory reporting solution for its newly opened branch in Tianjin, in order to comply with the reporting requirements in China.

Under the deal, the State Bank of India will submit the operational, financial and accounting reports required by the People's Bank of China, the Banking Regulatory Commission and the State Administration of Foreign Exchange (SAFE).

After selecting Wolters Kluwer Financial Services's regulatory reporting solution in 2006, when the State Bank of India first entered the Chinese market, the financial institution has continued to use the solution in its China head Office, based in Shanghai.

With the new branch in Tianjin, the State Bank of India took the opportunity to centrally manage its compliance commitments across China as it continues to expand, through optimisation of Wolters Kluwer Financial Services's automated regulatory reporting capabilities.

Chris Puype, vice president at Wolters Kluwer Financial Services, said: "We are exceptionally proud of our strong relationship with State Bank of India, now in its seventh year and their decision to select our regulatory reporting solution for its new branch is a testament to that relationship and the continuous work of our team of experts in China."

"With the plethora of differing reports required by the three regulatory bodies in China, including the latest installment announced at the end of 2012, SAFE No 36, our experience of regulatory reporting, spanning over 20 years, means State Bank of India has made the right choice."

Raffeisen choose PROactive

Vienna-based Raiffeisen Bank has implemented Broadridge's PROactive Reconciliation Solution across six of its regional subsidiaries to fully automate reconciliation processing.

PROactive allows Raiffeisen to increase its operational control and achieve more efficient processing on a single, standard platform throughout its network banks in Poland, Bosnia and Herzegovina, Kosovo, Romania, Bulgaria and Albania.

Through its shared service centre located in Romania, Centralized Raiffeisen International Services & Payments (CRISP), Raiffeisen is pursuing a strategy to consolidate the reconciliations processing of its operations across multiple European locations into a central hub and intends to migrate remaining international network banks onto a single installation.

A key element of the project has been to shift all processing from locally installed standalone systems onto an enterprise-wide platform.

CRISP general manager Pierre Brisse said: "The deployment flexibility of PROactive has allowed us to standardise our central infrastructure for enterprise-wide reconciliation processing and maximise operational efficiency across multiple regions. We are seeing high quality results from the solution's advanced automation and workflow, including substantial improvements to our automated matching rates and the ability to quickly onboard additional reconciliation types, such as ATM and internal account reconciliations."

General manager of EMEA and Americas for Broadridge's PROactive Solutions, Jose Contin, said: "This project is further affirmation of Broadridge's growing footprint in Central and Eastern Europe. More and more, clients like [Raffeisen] are moving towards a centralised reconciliations service, and we are already seeing how the strategy is enhancing the bank's transparency and operational control while enabling significant improvements in risk management and cost efficiency."

Omgeo CTM sees increase in users

The user base of Omgeo Central Trade Manager (CTM) grew by 33 percent in 2013, with the addition of more than 150 broker-dealers and 280 investment managers.

The platform, which allows users to centrally match cross-border and domestic equity, fixed income, exchange traded derivative (futures and listed options) and contract for difference transactions, now boasts a user base of more than 1700 clients globally.

In 2013, total equity and fixed income volumes on Omgeo CTM also increased by 82 percent.

Post-trade services provider Omgeo attributes the user increase to "global market participants' increased desire for automated, post-trade solutions that reduce risk and increase efficiency", as well as completion of a migration of clients from its legacy local trade confirmation service, Omgeo OASYS Global, to CTM.

More than 500 broker-dealers successfully migrated to Omgeo CTM during the multi-year migration that concluded in June 2013.

"Omgeo CTM has been a key enabler of reduced risk and increased efficiency in post-trade operations at our firm," commented Dominic Janssens, director of global invest-

ment operations at T. Rowe Price Associates. "Central matching has become viewed by the industry as the ideal method for the post-trade confirmation process."

Tim Keady, chief client officer at DTCC, which took full control of Omgeo after agreeing to acquire Thomson Reuters's 50 percent stake in the post-trade services provider in July 2013, said: "Community growth continues to be a key priority because it increases post-trade efficiency for all Omgeo CTM users."

"A number of factors contributed to last year's increase including our continued focus on strengthening our presence across Asia-Pacific and Latin America, as well as broadening our asset class coverage to include exchange-traded derivatives. We now have over 45 clients signed for ETD functionality."

"More than ever before, firms are seeking to implement best practices across trading and post-trade operations, and regulatory and industry initiatives such as the move towards shorter settlement cycles continue to drive adoption of robust, automated processes. We expect this to continue in 2014."

SEC hits Credit Suisse for almost $200 million

Credit Suisse has agreed to pay $196 million after admitting that it broke US securities laws when it provided cross-border brokerage and investment advisory services without registering with the Securities and Exchange Commission (SEC).

The Zurich-based bank will pay $82,170,990 in disgorgement, $64,340,024 in pre-judgment interest, and a $50 million penalty. It was found to have wilfully violated Section 15(a) of the Securities Exchange Act of 1934 and Section 203(a) of the Investment Advisers Act of 1940.

It provided cross-border securities services to thousands of US clients and collected fees totalling approximately $82 million without adhering to the registration provisions of the federal securities laws, according to the SEC.

From 2002, unregistered relationship managers travelled to the US to solicit clients, provide investment advice, and induce securities transactions.

Although the number of US client accounts decreased beginning in 2009 and the majority were closed or transferred by 2010, it took Credit Suisse until the middle of 2013 to completely exit the cross-border business as the bank continued to collect broker-dealer and investment adviser fees on some accounts.

At its height, the business amassed 8500 US client accounts that contained an average total of $5.6 billion in securities assets.

"The broker-dealer and investment adviser registration provisions are core protections for investors," said Andrew Ceresney, director of the SEC's enforcement division. "As Credit Suisse admitted as part of the settlement, its employees for many years failed to comply with these requirements, and the firm took far too long to achieve compliance."

Deutsche Börse weathers the storm

German exchange organisation Deutsche Börse Group achieved a stable financial performance throughout 2013 despite shelling out to cover Clearstream's legal bills.

Clearstream, a 100 percent subsidiary of Deutsche Börse, was indicted by the US Treasury's Office of Foreign Assets Control (OFAC) over maintenance of an omnibus account in the US and certain securities transfers within the Clearstream settlement system in 2008.

Deutsche Börse's operating costs shot up to €284.6 million Q4 2013 due to the costs of efficiency programmes and legal costs in connection with the OFAC settlement.

Despite these higher outlays, Deutsche Börse generated a net revenue of €473 million in Q4 2013—up from €447.7 million in the corresponding quarter of 2012.

The result from Deutsche Börse's equity investments amounted to €9.3 million.

This was generated primarily by European Energy Exchange, Direct Edge Holdings and Scoach Holding. However, the latter only contributed to the result from equity investments in the first half of the year, because the joint venture with the Swiss exchange SIX was terminated with effect from 30 June 2013 and Scoach has been consolidated since then.

The result from equity investments also includes non-recurring income of €2 million in connection with the consolidation.

Reto Francioni, CEO of Deutsche Börse, said: "Despite challenging conditions, we generated overall stable net revenue in the past financial year. At the same time, we made good progress in tapping new growth areas by systematically expanding our investment program. In addition to the significant structural growth opportunities, the macroeconomic environment in Europe is also showing signs of improvement. As a result, we are optimistic about the future."

Deutsche Börse generated net revenue of €1.9 billion in 2013, which met its annual performance in 2012.

SunGard supports Gemini hedge business

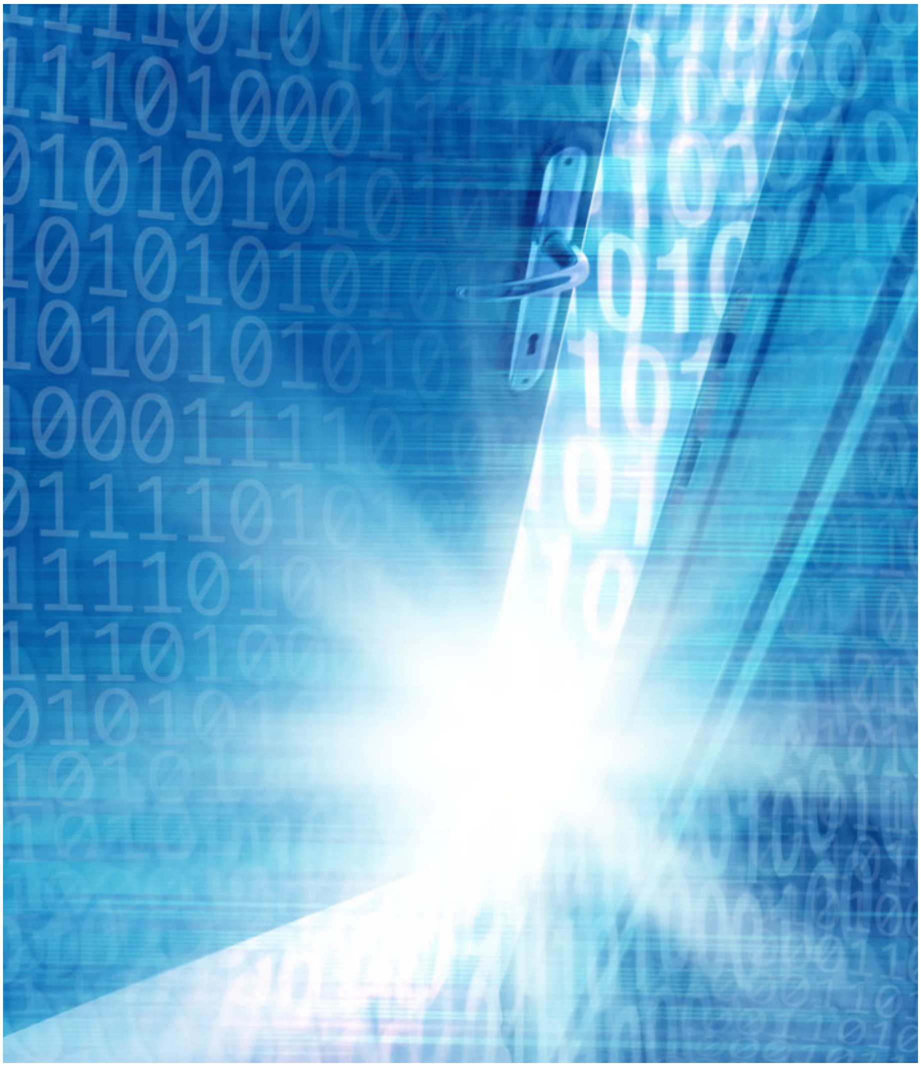
Gemini Hedge Fund Services has chosen SunGard's Hedge360, a back-office hedge fund investment management application suite.

Hedge360 aims to enable Gemini Hedge to increase operational efficiency to better service its clients through automating processes, simplifying workflows and reducing the risks associated with manual entries.

"The ability to choose tailored components of the investment management suite to meet our specific automation requirements was a key element of our decision," said David Young, president of Gemini Hedge.

"We conducted a detailed evaluation of available solutions. The superior capabilities of SunGard's Hedge360, coupled with its strong reputation and unified team support, offered us the optimal solution to help our fast-growing client base."

Rob MacKay, COO of Hedge360, said: "We are seeing institutional credibility as a matter of preeminent concern across the hedge funds industry. To achieve this means that firms are now heavily reliant on their technological infrastructure. Cost-effective and integrated portfolio management platforms like Hedge360 are, therefore, of vital importance in helping firms like Gemini Hedge achieve operational efficiency and, ultimately, institutional credibility."



SGSS plays on the Ivory Coast

Societe Generale Securities Services (SGSS) has teamed up with one of its subsidiaries to offer securities services in the Ivory Coast.

The firm has extended its global offer by including securities services activities in Ivory Coast through Societe Generale de Banques en Côte d'Ivoire (SGBCI), the Societe Generale Group subsidiary in the country.

SGBCI has been providing local securities services in Ivory Coast for 28 years. SGSS partnered with its subsidiary in January 2014, from offices located within the bank in Abidjan.

SGSS hopes to strengthen its existing pan-African activities and develop a securities services offer across the West African Economic and Monetary Union (WAEMU) region.

It will now provide settlement-delivery and custody services from Ivory Coast through the local platform that has been upgraded to include Swift connectivity and enhance instruction and corporate actions management.

These services, which are fully compliant with international industry standards, will be available to clients in 8 countries within the CFA franc WAEMU region: Benin, Burkina Faso, Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo.

The set-up provides SGSS's clients with a single entry point into West Africa and consolidated position reporting for the entire region. The offer is aimed at a clientele of international brokers and global custodians, as well as institutional investors in West Africa.

Following SGSS's expansion in Africa over the past two years, where it has created a custody hub in South Africa and opened new offices in Ghana and Tunisia, this service extension in Ivory Coast is a further step in SGSS's strategy to become a major securities services player on the African continent.

Industry predicts more AIFMD sluggishness to come

More than half of fund managers, prospective clients and consultants attending a recent Northern Trust seminar on the Alterna-

tive Investment Fund Managers Directive (AIFMD) said they believed investors would still not be engaged in AIFMD considerations by December 2015.

These latest findings echo a previous survey conducted by Northern Trust in 2012 where a significant number of respondents had concerns over AIFMD, with close to 70 percent citing their investors were not engaged in AIFMD considerations at the time.

"Next year is an important milestone in AIFMD deployment," said Ian Headon of Northern Trust depositary services.

"The fact that managers still feel that investors, the intended beneficiaries of the directive, will not be engaged in December 2015 comes as somewhat of a surprise."

The primary benefit of the AIFMD for asset managers is the creation of a pan-European passporting regime, making distribution easier. However, despite these distribution opportunities, two thirds (66 percent) of the attendees still saw the directive primarily as a compliance exercise, an increase on the 64 percent who felt the same a year ago.

Less than 15 percent of attendees believe the directive is a strategically important opportunity for their business, and 62 percent of attendees reported that AIFMD will have no implication on their future product strategy.

"Our findings show that the benefits of AIFMD are not yet translating into strategic opportunities and the focus for fund managers remains on the workload required to implement the directive," said Toby Glaysher, head of Northern Trust's global fund services business in Europe, the Middle East and Africa.

TMF Group takes over Custom House

TMF Group has acquired 49 percent and become the sole owner of Custom House Global Fund Services. The transaction is subject to regulatory clearance, but is expected to be completed by June 2014.

TMF Group's fund administration business has offices in Rotterdam, Sydney, Geneva, Sofia and Malta.

The acquisition of Custom House's business allows TMF Group to further expand its business into the growing alternative investment sector (including private equity and real estate investment services).

TMF Group CEO Hugo Van Vredenburch said: "This is a unique and strategic proposition in today's hedge fund administration landscape. As a global, independent and wholly-owned financial services firm we will continue to harness the innovative spirit of Custom House that was created by Dermot Butler in 1989."

"We are excited to take the entrepreneurial, dynamic, and client-focused attitude of Custom House and combine that with the backing of TMF Group. Our extensive corporate and financial institutional network in combination with Custom House's leading-edge fund administration services will enable both companies to expand significantly in new and existing market segments."

Custom House Global Fund Service CEO Mark Hedderman said: "TMF Group clients will benefit from the addition of alternative fund services to its suite of capabilities, whilst we will be able to act seamlessly across borders for our clients to support new fund launches and global initiatives."

Dermot Butler, the founder of the company, will become president of TMF Custom House Global Fund Services, stepping down from his role as chairman.

Mark Hedderman will remain as CEO along with the key team of executives that have been dedicated to building out Custom House over the past 10 years.

Dermot Butler, president of TMF Custom House Global Fund Services, said: "As the alternative fund administration sector continues to evolve, the team at Custom House has worked deliberately over the past 25 years to expand both its administration offerings and middle office solutions, culminating in the launch of the gateway platform in the US last year. Our choice of partnership with TMF Group also reflects our anticipation of market demand and the benefits to fund managers of the choice of an independent, global fund administration solutions provider with no conflicts of interest."

TMF Group's newly combined fund administration services, including TMF Custom House, will now operate from 14 global locations with around $40 billion in assets under management.

JTC outsources for blossoming fund admin

Fund administrator JTC Group has chosen eFront to support the continuing expansion of its business portfolio.

The JTC Group is an independent multi-jurisdictional provider of private client, corporate and fund services. Headquartered in Jersey, it has expanded its fund management business with new acquisitions in 2013.

It purchased Anson Fund Managers in December of last year, and Ardel Fund Services (AFSL) in Guernsey in April 2013.

FrontInvest, eFronts's solution aims to support the group's increased commitment to the funds sector and help fulfill all necessary regulatory, financial and tax reporting requirements.

"This has been a period of rapid growth for the funds team," said Miranda Lansdowne, group director of fund services, at JTC Group.

"Our investment in this market-leading solution supports our international growth strategy and has the flexibility we require as we deliver an increasing range of cross-border fund services."

"We are very pleased to have expanded our presence in the Channel Islands and Luxembourg through this partnership with such a fast growing and professional organization as the JTC Group," said Béatrice Vachonfrance, European sales director at eFront. "The fund administration industry has been and continues to be a key strategic market for eFront."

Milestone signs Oppenheimer into NAV solution

OppenheimerFunds has selected Milestone Group's NAV oversight solution to automate in-house verification of outsourced fund processing functions.

Geoff Hodge, CEO of Milestone Group, said: "We have created a purpose-built automated solution that provides transparent, timely review of the end-to-end process. We're delighted to be working with an organisation of OppenheimerFunds' reputation and caliber, and look forward to developing the relationship with them over the coming months."

The solution aims to allow OppenheimerFunds to have a tailored view into the NAV calculation process without replicating their third party service provider activities.

ESMA extends its EMIR Q+A, to general irritation

The European Securities and Markets Authority (ESMA) has updated its Q&A to address concerns over the European Markets Infrastructure Regulation (EMIR), despite the industry saying that the update has come too late.

The updated Q&A clarifies, among others, issues related to reporting to trade repositories (TRs) such as on how to construct and generate unique trade identifiers (UTI), the reporting of empty/not available fields, and the UPI taxonomy.

They were released by ESMA just a day before the final EMIR deadline for reporting derivatives trades to TRs, which was on 12 February 2014. However, the association said that it appreciated that it will require a certain amount of time for both reporting firms and TRs to properly incorporate the further guidance.

Other areas covered by the updated Q&A include OTC derivatives and central counterparties requirements.

However, the EMIR trade reporting obligations could feasibly impact thousands of small to mid-size counterparties that have never been subject to this sort of financial regulation before, who would have needed more guidance and what to report and to not report.

Elspeth Goodchild of Rule Financial said in a Finextra blog that, despite offering a little more clarity and guidance around the implementation of the 12 February trade reporting mandate, it was arguably "too little too late".

"It's clear from all of today's commotion that many institutions are still struggling to compile and submit compliant trade reports, and it's evident that much uncertainty remains around … what constitutes a compliant trade report. Furthermore, confusion around the backloading of trades is also causing some issues."

Goodchild added that EMIR has been plagued by confusion and uncertainty from the offset, and many firms have delayed the implementation of their trade reporting solutions in the hope of gaining some sort of clarity on the exact scope and requirements of the mandate.

"Unfortunately, this clarity never came. Some firms are still even unsure if they need to report at all, and are unaware of the steps they need to take to do so. The simple diagram below could help hard-pressed operations people decide on the correct course of action, but it is by no means exhaustive."

The culmination of all this uncertainty, said Goodchild, was that many firms are now scrambling to compile and submit trade reports, having left it too late to implement an adequate solution and set up the necessary documentation and agreements in time for the deadline.

"Clearly, this delayed response by some firms has also caused significant issues for trade repositories. Even today, many trade repositories are struggling to onboard clients who were late to register, and this is having a knock on effect on the quality of service they are able to provide, even to those who registered ahead of their respective deadlines."

"In extreme cases, clients have even found themselves unable to access their chosen trade repository's systems, despite having already completed the onboarding process."

NAV Oversight provides a fully hosted environment to monitor holdings at both fund and security level and independently validates NAVs received from outsourced fund administrators, said a statement from the firm.

Chapman's Eye on the market

Respect yourself

In 2005, the then UK Prime Minister Tony Blair, in one of his less warmongering initiatives, introduced what he termed the 'Respect Agenda'. Based on Richard Sennett's 2003 book Respect: The formation of Character in a World of Inequality, the basic gist was that all parties/stakeholders in a given situation should try to respect one another and get along for the benefit of the greater good, and ultimately, themselves.

While in Blair's case this was aimed at general community cohesion, I believe that there are parallels worth heeding in our asset servicing community, be it a community on a global scale. In our space there are various firms—vendors, custodians, administrators, asset managers and broker-dealers to name but a few—and human stakeholders, each of whom possess differing motivations, desires, drivers and abilities.

However, I would offer that we all have a broadly shared aim of self-fulfilment, be it for ourselves, our families or third parties. We inhabit a complicated, pressurised and challenging world and this common goal, like any team challenge, is more easily attained if all parties work together in concert.

That's why it is so disappointing that there are many people in our industry who appear to have forgotten that we are all in this together, and lack the ability to show respect to fellow travellers on this shared journey. On a 24/7 basis, deals are made—products and services bought and sold, relationships forged and initiatives undertaken—but sadly many are held back or sabotaged by the symptoms of a lack of respect; selfishness, a lack of empathy and general rudeness abounds, which limits the potential of what can be achieved and creates an air of resentment and mistrust.

This reflects badly inside our industry, for example, antagonism between the sell side and the buy side, and externally when there is mismatch between how we feel we act and how we are perceived by the general public. At a granular level, this can be as simple as having the decency to return phone calls or emails, whichever 'side' you're on. At a higher level, certain buy-side firms have built an unenviable reputation for unnecessary aggression towards their providers/vendors, which ultimately results in a stressful relationship to the detriment of both sides.

I appreciate that everyone is busy, working to deadlines and under pressure, but I firmly believe that if more folks were respectful of their fellow industry participants—even the minutiae of returning calls promptly, hearing alternative suggestions without denigration and being more accepting of others' views—they would in turn earn more respect for themselves. As in life, what goes around comes around.

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

Paul Chapman, managing director, HornbyChapman Ltd

Mandate Mangle

EuroCCP has chosen **Euroclear Bank**, the Brussels-based international central securities depository (ICSD), as sole settlement provider for all US-listed equities transactions struck on Turquoise, the pan-European trading venue.

Under the service, transactions in US stocks listed and traded on Turquoise will be settled on behalf of clients at Euroclear in any of the 54 settlement currencies offered by the ICSD.

Robert Barnes, CEO of Turquoise, said: "Turquoise already offers its customers access to 18 European markets through a single connection. Today's announcement increases the geographic diversification of the markets we offer to our customers and makes the process of trading US names—as well as in a European time zone—easier than ever."

Yves Poullet, CEO of Euroclear Bank, said: "The proliferation of multi-lateral trading facilities post-MiFID II, such as Turquoise, has led to a whole-scale redrawing of how investors access and trade stocks. Ultimately, those venues that attract the largest pools of equity liquidity can expect to flourish in the future."

"I am delighted to extend the current working relationship that we have for depository receipts with Turquoise and EuroCCP to US equities. Our 1300 clients can now benefit from full trade, clearing and settlement automation in blue-chip firms like Apple, Berkshire Hathaway, Exxon Mobil and Ford, to name but a few."

Northern Trust has been selected by the Energy Industries Superannuation Scheme (EISS) to provide a full range of master custody and related services to the $3.9 billion fund.

"This appointment follows a detailed search and due diligence across the major custodians in Australia," noted EISS CEO Alexander Hutchison.

"The custodian is a key strategic partner in the provision of services for the fund and competition in this space has significantly increased over the past few years. Northern Trust's culture, global operating model and technology systems were key areas of importance for the fund."

Rohan Singh, managing director of Northern Trust Australia, said: "We are delighted and honored by the appointment, and look forward to supporting EISS with a range of solutions to meet their investment oversight, governance and growth strategies."

Northern Trust is a full-service provider to the Australian and New Zealand market and delivers a range of solutions for institutional clients; including Australian investment accounting and tax, unit registry services, investment operations outsourcing, and specialised custody solutions.

General Electric (GE) Canada has selected **CIBC Mellon** to provide custody, fund accounting and benefit payment services for GE Canada's trusteed pension funds.

GE will also receive online delivery of investment information through the Workbench platform and integrated access to BNY Mellon Global Risk Solutions investment analysis products. The CAD$1.3 billion investment servicing mandate comprises three underlying pension plans for GE Canada and their related entities.

"After an extensive review, we selected CIBC Mellon as our investment servicing provider and custodial trustee based on their tightly integrated reporting, processing and information-delivery platform, and for the considerable strength and experience of their service teams," said Lisa Jankov, assistant treasurer of GE Canada.

"The ability to access global risk and investment information in a single platform will be very valuable as we expand our alternative investment activities while adhering to stringent governance and reporting requirements."

"GE has a 120-year history of innovation in Canada, and we are proud to support GE with the same drive and determination," said Stuart Plummer, executive director of business development at CIBC Mellon.

"Our offerings help position GE with the operational support, risk reporting and transparency to move forward and execute on their investment decisions with confidence."

Seven Capital Management has picked **CACEIS** in Luxembourg as custodian and administrator for its Seven Lux SICAV-SIF fund, whose BlackSnake sub-fund is the first to be granted a European passport for direct alternative investment fund management.

Founded in 2006, Paris-based Seven Capital Management is an independent management company specialising in performance management.

Last August, it became the first alternative investment management company in France to receive authorisation from the AMF, the French financial markets supervisory authority.

This authorisation permits it to manage its alternative investment funds within the EU, and using the cross-border marketing passport, market them throughout EU member states.

CACEIS is the asset servicing banking group serving institutional and corporate clients.

Seven Capital Management has also obtained the first European cross-border management passport enabling it to manage the BlackSnake sub-fund directly from France.

CACEIS is a custodian and administrator in Europe for alternative investment funds, and has strengthened its service offering following the entry into force of the Alternative Investment Fund Managers Directive in July 2013.

Since then, CACEIS has been offering a combination of banking, listed derivative clearing and middle and back-office outsourcing services, allowing funds that have received alternative investment fund manger authorisation to improve their operational efficiency and risk management.

Johann Schwimann, CEO of Seven Capital, said: "We needed a service provider with an intimate knowledge of the French and Luxembourg markets, and of issues relating to the AIFMD to support the launch of our SICAV SIF BlackSnake fund."

"CACEIS demonstrated its alternative fund expertise to us during our discussions and proposed suitable services." **AST**

The Kapitalanlegermusterverfahrensgesetz

The German KapMug could resolve individual investors' claims, but the lethargic Deutsche Telekom ruling brought into question the efficacy of the act. Tania Dupoy explains

In recent years, Germany has become more claimant friendly to parties seeking redress by extending its version of class action law. The Kapitalanlegermusterverfahrensgesetz ' KapMug' (Capital Market Investors' Model Proceeding Act), was designed to adjudicate claims by large numbers of individual investors with closely related claims citing, for example, false, misleading or omitted information in capital markets.

The KapMuG was first introduced in November 2005 as a five-year experiment, in response to approximately 17,000 investor claims filed against Deutsche Telekom AG. It was alleged that the company had withheld significant risks in its stock exchange prospectus. Its trial period has been extended to 1 November 2020, however it remains to be seen whether it will be incorporated into the Zivilprozessordung (ZPO), the German Code of Civil Procedure.

The effectiveness of the KapMuG in its original form was brought into question in 2012, when the court ruled in favour of Deutsche Telekom. The German system took twelve years to reach a judgement, however class action litigation brought in the United States for US investor losses, over the same offering, was settled for over $120 million back in 2005. In Germany, the ruling was greatly disappointing for claimants who, after many years, were frustrated at the length of the case, unaided by the fact that all claimants were entitled to file individual briefs and submissions.

Early rulings were substantially in favour of the defendant, however the KapMuG has undergone review and has arguably become more claimant friendly. Amendments have been made to the KapMuG to enforce more deadlines. The process is accelerated through the implementation of a deadline (six months) within which the application for a model case proceeding must be brought.

Following the revision of the KapMuG, claimants can now register a claim and apply to be included in a model case before deciding to formally bring a claim. The resulting decision is no longer binding for all claimants. As opposed to all claimants needing to be in agreement to reach a settlement, the Higher Regional Court now accepts the settlement. Claimants are bound unless they decide to opt-out, which allows for a quicker, more accessible process.

The very basics of the KapMuG is that if more than ten individuals issue a closely related claim, the KapMug allows the courts to make the claims collective. A general 'loser pays' principle applies, but should a model claimant lose, the cost of the model trial is divided between all registered claimants in relation to the value of each party's alleged claim. Contingency fee arrangements for lawyers are only permitted in special circumstances. Third party funding can cover court and attorney fees, however, in exchange for a percentage of a successful claim settlement.

A model case is chosen from individual claims, and it allows for either the plaintiff or defendant to clarify and establish legal questions which will ultimately justify or wipe-out a claim. The model claimant is selected by the court for reasons such as the size of the claim, or if the court deems the claim to cover the majority of issues relevant to the dispute.

Germany has clearly recognised that allowing collective claims will enforce stronger corporate governance, and its dedication to developing the KapMuG and extending its trial period demonstrates belief in the act. There is also the chance for Germany to assert itself as a European centre for processing class actions, much like the Netherlands has. European jurisdictions are rapidly developing securities class action legislation in response to the opportunity to process cases following the 2010 US Morrison versus National Australia Bank ruling.

The result of the Morrison versus National Australia Bank case was that the Supreme Court placed a ban on non-US shareholders, whose stock was purchased on a non-US exchange, from suing a non-US company through a US court. This has therefore presented an opportunity to other jurisdictions to process the cases.

As securities class actions globalise, all investors and trustees must remain vigilant and monitor global opportunities to participate in class actions to reclaim rightful returns. All parties should acknowledge cross-border opportunities in legislatures such as Germany and reclaim damages to which they are legally entitled. Keeping track of international opportunities and the claims process can be daunting. However, there are now specialist service providers that can automate the complex process of class action participation across international legislatures. **AST**

Tania Dupoy
Sales and relationship manager
Goal Group

Needs must for robust

Alan Paris and Robert Martin of eClerx discuss the global implications for collateral management—and potential regional niggles that could hinder progress

Banks are struggling to capture market share as they are forced to restructure their organisations to best meet evolving global and regional regulatory requirements. Regional mandates create a unique challenge, even while global regulatory bodies diligently work together to minimise arbitrage rule sets. The increased collateral requirements for both cleared and non-cleared trades have pressured banks to manage the process while keeping high quality liquid collateral readily available. Collateral transformation and optimisation have become important areas within banks to maximise return and reduce costs.

As volumes of exchange-traded derivatives increase, banks must invest heavily in robust supporting technology, often requiring the complex addition of new functionalities to the bank's existing legacy systems. Banks are further constrained by bifurcated processes for bilateral and exchange-traded derivatives, which create heightened complexity for the operations, compliance and collateral management processes. These institutions will need to support two sets of technology; one for exchange-traded derivatives and another for bilateral trades. While bilateral trades will decline in volume, they will never be completely dissolved, so banks must know how to efficiently process and manage these for all clients.

The regional deal

Regional requirements have impacted how banks are dealing with collateral requirements and managing processes for clients. For example, Dodd-Frank is very descriptive in requirements, deadlines and rules, whereas EMIR has led with a more principle-based outlook, allowing an objective-focused set of rules with great flexibility around implementation. As a result of the sheer number of many smaller banks' clients which have waited to see how regulations would be deployed before taking action, there is now a long list of clients that banks are trying to onboard. Some global firms have recognised the inevitable inefficiencies in implementing the correct strategies in house around these complex and multiple rules and have opted to leverage a third party resource to execute and manage these processes. Such third party operations support resources specialised in these processes and, by virtue of this specialised domain expertise, provide these global firms with cost reduction and elimination of the possibility of inaccuracy from internal operations related to clearing, risk profiling, collateral requirements, and reporting.

Credit Support Annex (CSA) agreements have shown a distinct need for remediation services in order to extract accurate data for collateral optimisation performance. It is critically important that banks understand the data contained within their CSA documents. However, it has been found that over 50 percent of all fields captured by banks within their CSA agreements do not match against the data they have recorded in their internal systems. Extracting this metadata accurately has become a high priority for both clearing and bilateral trades in order to perform effective collateral optimisation.

“CCPs will be working closely on their risk process, as banks have historically had the upper hand in performance of detailed risk analysis for clients”

Tied closely to collateral management, risk is a key player in day-to-day operations, specifically for central counterparty clearing houses (CCPs). The true cost of clearing at a particular CCP may vary greatly depending on the volume and specific product types that the client decides to execute. Different margining models will create varied pricing and funding implications for each clearing member. As a result, CCPs are under pressure to accurately calculate risk in order to collect the correct collateral required for each member. CCPs will be working closely on this process as banks have historically had the upper hand in performance of detailed risk analysis for clients. Regulations such as Dodd-Frank and EMIR lay out a competitive landscape for CCPs and the conflict between cost-effectiveness and the degree to which CCPS can mitigate risk remains in play. Before the true levels of risk can be identified, there are a number of issues that must be resolved, such as how CCPs respond to their members' needs in a stressed market environment in which collateral is more illiquid, as well as what hidden risks might be associated with a CCP's connection in the global banking system.

A look to the future of clearing

As banks invest in technology and restructure legacy systems—all of which can be extremely costly— more firms are leveraging third-party partners to alleviate this burden while maximising return and efficiencies. Working with a business process service provider that can handle the entire trade work flow—for cleared and non-cleared trades—can help banks lower costs as volumes shift and more trades are cleared over an exchange. Collateral transformation will allow clients of clearing members to post available securities that can then be transformed into the required high quality collateral for margin, while market participants will be focused on activities that will help them to use and create collateral in the most efficient ways. AST

Robert Martin
Senior manager
eClerx

Alan Paris
Principle of financial services
eClerx


Connect
Collect
Distribute
in total security
COLLABORATIVE SOLUTION FOR
CROSS-BORDER FUND DISTRIBUTION
EFFECTIVE FUND INFORMATION & ORDER MANAGEMENT
FUNDSQUARE
MARKET INFRASTRUCTURE
www.fundsquare.net

ALFI Spring Conference

Date: 18-19 March 2014
Location: Luxembourg
www.alfi.lu/conferences-training/conferences

This two-day conference, which takes place at the Centre de Conférences in Luxembourg-Kirchberg, attracts the biggest names in the fund industry from Europe, the US, Asia and the Middle East. It brings together in a single venue the world's most innovative and best-known fund managers with the most knowledgeable service providers.

FundForum Asia 2014

Date: 31 March - 03 April 2014
Location: Hong Kong
www.fundforumasia.com/FKN2393ASTWB

We are delighted to inform you that Asset Servicing Times is a media partner of the 8th annual FundForum Asia 2014 conference.

NeMa 2014 - Network Management

Date: 18 - 20 June 2013
Location: Hilton Warsaw Hotel & Convention Centre
www.nema-event.com/FKP2359ASTWB

NeMa 2014 is the premier event for taking stock of your strategy in these challenging times, whilst forging invaluable business relationships… with over 450 attendees from the Network Management and Securities industry!

AST RECRUITMENT

LOOKING FOR YOUR NEXT ROLE?

OUR AUDIENCE, YOUR TARGET

Programme Manager

Recruiter: Funds Partnership
Salary: 03 March 2014
Location: London

Dynamic programme manager role leading a team of 3 infrastructure project managers, each managing a team of 15 Project Managers and Business Analysts at a top Fund Administration and Despositary Bank.

Fund Administrator

Recruiter: Carlton Senior Appointments
Salary: £20000 - £35000 per annum
Location: London

My client a leading offshore fund administration firm is currently seeking an ambitious and energetic fund administrator to join their new office in London. This role represents an opportunity to grow within the new office of an established firm.

Senior Java Execution Developer

Recruiter: Selby Jennings
Salary: Circa £100,000-£140,000
Location: London

ur client is a market leading Hedge Fund headquartered in London. The Electronic Trading desk in London is supported by a small team of business and quantitative focused technologists and through continued expansion we are seeking a talented Execution developer to take a key role on the desk. You will be working in a small team responsible for the Front to back development. They currently trade a broad number of Asset Classes.

Industry appointments

The California Public Employees' Retirement System (CalPERS) has named **Dan Bienvenue** as its senior investment officer (SIO) for global equity, effective immediately.

Bienvenue had been serving as the acting SIO for global equity since June 2013 after Eric Baggesen took another leadership position within the CalPERS investment office.

Bienvenue joined CalPERS in 2004 after serving as a principal and senior portfolio manager with Barclays Global Investors, leading an international equity portfolio management team responsible for $55 billion across developed and emerging markets.

He was named senior portfolio manager for global equity at CalPERS in 2008. In that role, he was responsible for implementing and directing CalPERS internally managed equity portfolios.

As SIO for global equity, Bienvenue is responsible for implementation and management of investment strategy and policy for the pension fund's $141.8 billion portfolio in publicly traded equity investments worldwide.

CalPERS is the largest public pension fund in the US, with more than $283.8 billion in assets.

It administers health and retirement benefits on behalf of 3,064 public school, local agency and state employers. There are more than 1.6 million members in the CalPERS retirement system and more than 1.3 million in its health plans.

The Royal Bank of Scotland (RBS) has hired **Revel Wood** as CEO of RBS (Luxembourg) SA, its Luxembourg-domiciled management company and fund governance business.

RBS Luxembourg provides independent management company and fund governance services to investment funds and their managers from Luxembourg. Wood reports directly to Andy Wright, managing director of RBS Funds Services.

Wood said that the business was positioning itself for opportunities presented by the Alternative Investment Fund Managers Directive (AIFMD).

Wood joined RBS (Luxembourg) S.A. in January 2012 as director and COO with responsibility for the operational activities of the management company, including the portfolio risk management, technical fund compliance, fund accounting and transfer agency oversight teams.

Under his guidance, the Luxembourg firm completed the adoption of a new risk platform in 2013 to support its client base and the complexities of evolving investment fund regulation.

Wood moved to Luxembourg in 2009, taking up the role of deputy managing director at Northern Trust Management Company.

Prior to this he was global head of derivatives product at Northern Trust in London.

Lyxor Asset Management has appointed **Lionel Paquin** as its CEO to replace Inès de Dinechin, who is leaving the group.

He will also join the management committee of the global banking and investor solutions division.

Paquin had been head of the Lyxor managed accounts platform since 2011. He has also held the position of chief risk officer and head of internal control at the firm, and was a member of Lyxor executive committee since September 2007.

Prior to this, Paquin was managing director and principal inspector of the Inspection Générale (an interdepartemental auditing and supervisory body in France) at the Societe Generale Group since June 2004.

He began his career in 1995 in the French Ministry of Finance as a high-ranking civil servant and held several positions within this ministry.

Dinechin has followed on from several high-level staff that recently left the firm. Claus Hein, head of ETFs for the UK, Nordics and LatAm left the firm last June to join Deutsche Bank. Alain Dubois left to join MSCI, reportedly due to difference in opinion over strategy with de Dinechin.

Simon Klein, the head of the firm's European ETF business, also left for Deutsche Bank, while Nizam Hamid, deputy head of the ETF business in Europe, went to FTSE group.

The Canada Pension Plan Investment Board has appointed **Ed Cass** as the new senior vice-president and chief investment strategist, effective 1 April.

In this role, Cass will be responsible for the overall fund level investment strategy and will chair the investment planning committee. **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

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

GBST

GBST is a provider of software and services to the global financial services industry. We have more than 25 years' experience delivering innovative, robust and reliable solutions for capital markets, securities processing and wealth administration. GBST is unique in the marketplace with its continued investment in product development to ensure its solutions deliver the business benefits you need today.

Capital Markets Solutions

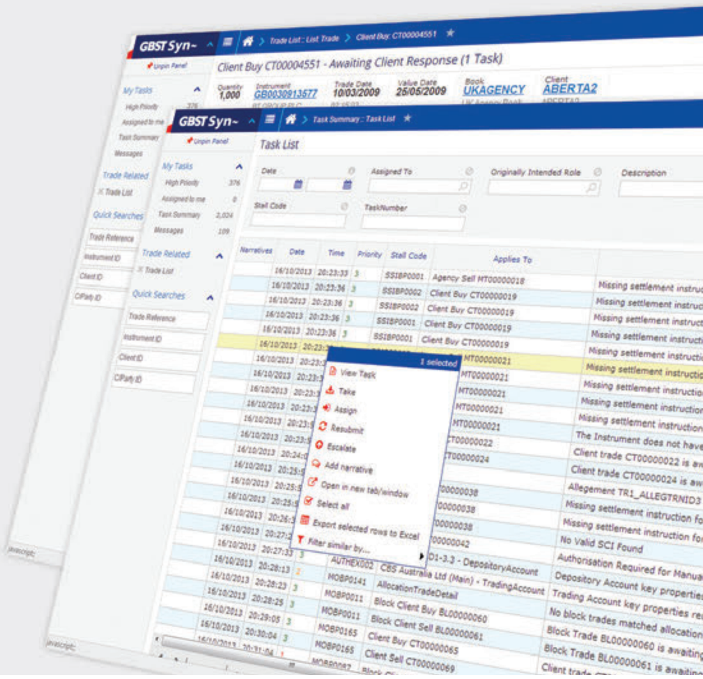
Whether you are an institutional or retail broker, custodian, or investment bank, GBST can deliver a platform specifically designed to enable growth opportunities while maximising efficiencies and managing the risk of daily operations.

GBST's platforms are designed to meet the needs of regulated marketplaces that organisations must conform to. The end result is that GBST solutions offer an edge in middle office processing and back office clearing and settlement for your business.

Our latest capital market solution Syn~, is our platform for the future. The highly dynamic rules based Syn~ platform delivers on the efficiencies dictated by global capital market requirements for processing equities, derivatives, fixed income and managed fund transactions.

Syn~ will also help you streamline your operations in the back and middle office.

At GBST we provide robust and flexible solutions to global capital markets participants. If you are facing challenges with your back, middle or front office, or just want to improve your operational efficiency, minimise risk or improve your client service, speak to us today and we can find a suitable solution for your business.



Global Sales Offices

Brisbane

Level 4, 410 Ann Street
Brisbane QLD 4000 Australia

Telephone: +61 7 3331 5555

Sydney

Level 24, 259 George Street
Sydney NSW 2000 Australia

Telephone: +61 2 9253 6555

London

8th Floor Linen Court
10 East Road London N1 6AD

Telephone: +44 20 7613 8800

New York

19th Floor 222 Broadway
New York NY 10038 USA

Telephone: +1 347 289 5464

Melbourne

Level 8, 34 Queen Street
Melbourne VIC 3000 Australia

Telephone: +61 3 9617 5555

Singapore

55 Market Street Level 10
Singapore, 048941

Telephone: +61 2 4298 9100

Hong Kong

Unit 2904, 29/F Universal Trade Centre
3-5A Arbuthnot Road Hong Kong

Telephone: +852 3184 4000