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T2S town is big enough for the four of us

An industry quartet is developing a new asset servicing model ahead of the implementation of T2S.

BNP Paribas Securities Services, Intesa Sanpaolo and BBVA are the three custodians in the deal, which will see Clearstream connecting to the T2S platform via its central securities depository (CSD) to attract settlement flows.

The custodian bank partners will then handle asset servicing at a domestic market level, with the aim of bringing their local market expertise to the model.

Target markets via these partners are Belgium, France and the Netherlands (with BNP Paribas Securities Services), Italy (with Intesa Sanpaolo), and Spain (with BBVA). Development work is in progress with the aim to be ready when Clearstream joins T2S in mid 2016.

The market approach via local partners aims to increase the efficiency and smooth functioning of asset services in the future T2S environment.

Customer benefits could include improved notification timelines and corporate action deadlines, increased quality via services tailored to the local market and reduced operational risk by leveraging the local partner's proximity to the market.

Following the initial development of this model with the four founding partners, Citi and Erste Group Bank have also confirmed their collaboration with Clearstream to develop a T2S asset servicing model for Greece and Austria respectively. The model is open to further local bank partners.

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ABN AMRO Clearing forges US/Asia links

A new global execution platform developed by ABN AMRO Clearing will provide clients with routing capabilities between Asia, US and Europe for equities and futures trading via a single FIX connection.

AMG Global (which stands for ABN AMRO Market Gateway Global) provides clients in every region with execution capabilities on ABN AMRO Clearing's trading memberships and access to 22 US equity and derivative exchanges, 16 European equity and derivative exchanges, and three Asian equity exchanges.

Additional trading venues and order types will be added in the coming months.

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Poor netting a wake-up call for compression

Limited effectiveness of current netting measures has led LCH.Clearnet to enable multiple members to simultaneously compress their trades with each other.

In an expansion of its compression offering, the clearinghouse is now including multilateral compression via SwapClear, its interest rate derivatives clearing service.

Compression reduces the number of trades and notional outstanding by terminating contracts with offsetting positions, allowing market participants to reduce their counterparty credit exposure and capital costs, as well as increase their operational efficiency through lower administrative and legal expenses.

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T2S town is big enough for the four of us

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Berthold Kracke, head of business management and member of the executive board at Clearstream, said that T2S is a game-changer for the post-trade industry, far beyond settlement in central bank money that is the current T2S target.

"It is our role as market infrastructure to think through the impact of such developments and the advantages it can bring to our clients. We look forward to developing our T2S asset servicing model with our partners so that customers can enjoy the best of all worlds via Clearstream: T2S settlement in commercial and central bank money combined with excellent asset servicing via local service providers at best value for money."

Alain Pochet, head of clearing and custody at BNP Paribas Securities Services, said that the new model will offer clients all the settlement benefits of the T2S platform, in addition to asset servicing, which goes beyond the scope of T2S and will be supported through strong local expertise in France, Belgium and the Netherlands.

ABN AMRO Clearing forges US/Asia links

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The platform provides vendor neutral access, allowing clients to trade on multiple exchanges via a front end system of their choice. Automated tooling for client and vendor software certification is being implemented to ease client onboarding. Orders are routed globally via ABN AMRO Clearing's network, with major hubs in London, Frankfurt, New York, Chicago, Tokyo, Hong Kong, Singapore and Sydney.

The launch marks a concerted push by ABN AMRO Clearing into global execution as well as prime clearing, to complement its strength in securities clearing, said Marcel Jongmans, CEO of ABN AMRO Clearing.

"AMG Global provides a simple, flexible, and powerful infrastructure to support the trading needs of our different client groups. We believe the capabilities of this platform will drive our ambition to become a major force in global execution and prime clearing."

Chris Lee, global head of market access at ABN AMRO Clearing, said: "AMG Global delivers global, multi-asset class connectivity and an agnostic approach to front end vendors. A key differentiator is that our trading venue connectivity is backed by ABN AMRO Clearing exchange memberships with the ability to execute trades and also that the platform is multi asset class across equities, derivatives and commodities. This is where many other offerings have failed."

Poor netting a wake-up call for compression

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In 2013, SwapClear compressed over $83 trillion through its proprietary and TriOptima's compression offering.

Daniel Maguire, global head of SwapClear, said: "The limited effectiveness of current netting measures has caused notional outstanding to be a large driver of regulatory capital holdings for some firms. SwapClear's compression offering enables firms to reduce notional outstanding and better manage their regulatory capital requirements, with the benefit of simplified operations and lower overheads."

Zar Amrolia, co-head of fixed income and currencies at Deutsche Bank, said: "Trade compression is an important tool which provides operational efficiencies and allows us to reduce our counterparty credit exposure, which in turn frees up capital that can be deployed elsewhere."

SwapClear will offer enhancements to its compression offering in 2014, including future cash flow netting, blended rate compression and portfolio de-linking.

Upward bloom for AUA

Respondents to the latest eVestment alternative fund administrator survey reported a 6.23 percent in growth in assets under administration (AUA), up to $6.37 trillion in the second half of 2013 compared to the first half of 2013.

Increasing direct institutional investment to alternatives continues to support the upward trend in AUA among our survey participants, said eVestment vice president and head of research, Peter Laurelli.

"However many firms cited regulation as a burden driving up costs in technology, which they expect may filter down to investors."

Survey participants ranked North America as the number one region in which they expected to see business growth in 2014, followed by Asia Pacific, Europe, Latin America, the Middle East, and Africa.

In emerging markets, respondents cited language barriers and less developed financial sectors as barriers to growth.

Almost 82 percent of respondents indicated that costs associated with servicing alternative investment funds increased in 2013 compared to 2012. Technology topped the list, with 36.4 percent of respondents citing technology as the primary area in which they experienced increased costs.

Asked for the most likely client reactions in the face of rising costs, administrators ranked the

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statement ‘costs passed on to end investor via higher operational fees’ first, followed by ‘costs retained by service provider/negotiated reduction in fees.’

Survey participants ranked hedge funds as first and foremost in expected industry asset growth in 2014, followed by private equity, real estate, alternative ’40 Act, funds of hedge funds, and alternative UCITS.

BNY Mellon CSD is green-lit and ready for action

BNY Mellon’s Brussels-based central securities depository, BNY Mellon CSD SA/NV, has been accepted as a recognised system for settling transactions in securities listed on the two markets operated by the Luxembourg Stock Exchange.

Chris Prior-Willeard, CEO of BNY Mellon CSD SA/NV, said: “This is a significant step in building out our CSD entity as it gives us the ability to provide straight-through processing for new Luxembourg-listed issues of securities and funds. That new ability and our recognised securities settlement system status are set to become ever more important as new regulations impact CCPs, UCITS and other regulated entities.”

Robert Scharfe, CEO of the Luxembourg Stock Exchange, said: “This recognition will extend the range of securities eligible for listing and trading on the Luxembourg Stock Exchange. In addition, it leverages the network of links with CSDs participating in the TARGET2-Securities (T2S) project, including for securities issued outside of Europe.”

In December 2012, following approval from the National Bank of Belgium and the granting of a Belgian Royal Decree, BNY Mellon became the first global custodian to launch its own separate CSD entity, which was incorporated as a non-bank subsidiary of The Bank of New York Mellon Corporation.

In May of last year, BNY Mellon CSD SA/NV signed a framework agreement with the eurosystem to allow it to outsource settlement to the T2S settlement platform, set to go live in 2015, committing it to taking all necessary steps to become a part of the T2S infrastructure and to comply with its governance regime.

Standard Chartered adds trustee notch for Singapore

Standard Chartered has added trustee services to its global custody and fund services capabilities for collective investment schemes in Singapore.

With the new service, the bank now offers fund administration, fund trustee, custody, and cash management for fund managers looking to offer authorised funds in Singapore.

This local expansion mirrors the bank’s global widening of its fund trustee and depository services, which now encompasses nine markets, including Hong Kong, Malaysia, Luxembourg, South Africa and Uganda, where services were launched last year.

With the prospect of growing cross-border mutual fund sales including the collective investment schemes (CIS) from the Association of Southeast Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC) funds passport, fund managers based in Singapore are attempting to capitalise on expanding growth opportunities in Asia.

Margaret Harwood-Jones, the global segment sponsor for investors and intermediaries at Standard Chartered, said that the upcoming ASEAN Fund Passport, Singapore, which provides the benefit of clear regulatory and tax rules, would be an excellent base for fund managers to market their funds to ASEAN investors.

Alan Naughton, the global head of product management for investors and intermediaries, said: “Expansion of our fund trustee services in Singapore is a natural progression for us as a comprehensive securities services provider in the region.”

“We have undertaken extensive research to ensure that not only do our broad capabilities meet client requirements but that we differentiate ourselves from other players in the region. We are extremely grateful for the support given to us by the Monetary Authority of Singapore during the licensing process.”

BNP Paribas aids banks with liquidity tool

BNP Paribas Securities Services has introduced a new reporting tool enabling intraday liquidity monitoring for investment banks, which aims to allow them to optimise the use of their liquidity, as well as prepare for regulatory change.

The service allows BNP Paribas to deliver customised reports on cash account balances globally, using its existing NeoLink web portal for clients. The first launch of the tool, to which several clients are already subscribed, sees reports on intra-day and end of day balances on multiple accounts delivered at predetermined times of day to specified recipients within the client organisation.

Beatrice Le Terrec, head of business development for market and financing services at BNP Paribas Securities Services, said: “Regulatory preparedness is a key concern for our clients. The current environment of change puts an increasing demand on them to manage their liquidity tightly. As such we have seen more requests for tools to provide our clients a clearer view of their assets and to optimise their cash management. With this new service we can help them manage their cash accounts on an intraday basis and optimise their liquidity use.”

Many recent developments in regulation that affects OTC derivatives markets point towards an increasing likelihood that clients will need to manage liquidity on an intraday basis, said a statement from the firm. It added that further roll-outs are envisaged as clarity emerges over the particular requirements of regulators globally.

Euroclear reports record year for assets under custody

Euroclear held a record €24.2 trillion in assets under custody in 2013.

The value of securities held on behalf of Euroclear clients increased by more than €1 trillion, representing a 5 percent year-over-year increase.

The number of netted transactions settled in the Euroclear group increased by 7.1 percent to a record 170.4 million, while the value of securities transactions settled reached a record €572.8 trillion, a 5.8 percent increase over the prior year.

The value of funds serviced by FundSettle increased by 18 percent year-over-year and the volume of funds transactions processed by Euroclear increased by 16 percent to reach 17.6 million.

Fund orders routed through Euroclear UK and Ireland's EMX Message System increased by 19.5 percent to a record 49 million messages in 2013.

Euroclear's Collateral Highway mobilised an average of €787 billion of collateralised transactions daily in 2013, a 12 percent increase over 2012.

Tim Howell, CEO of the Euroclear group, said: "The market regards Euroclear to be a safe and resilient market infrastructure with the proven experience, agility and economies of scale to deliver operational efficiencies and develop markets locally and globally. We want to thank our clients for the business that they entrust with us, and look forward to doing more together as the industry continues to evolve."

"We are focused on maintaining market stability, delivering the regulation-driven initiatives in our core European franchise and investing in capabilities and services that extend value to our clients."

Exchange market reveals chinks in post-trade armour

The push toward an exchange-traded derivatives (ETD) market has exposed gaps in the post-trade process used by market participants to clear and settle these transactions, according to the new study from Greenwich Associates.

The consulting firm found that derivatives market participants are prepared to make investments to handle increased trade volumes in the report, Cleared Derivatives Processing: A Strategic Approach.

After speaking with more than 50 buy-side operations professionals, the survey found that trade confirmations in exchange-traded derivatives remained a largely manual process for institutional investors.

Despite the growing use of electronic messaging to confirm trades, fewer than half of buy-side firms confirm and reconcile their trades in real time and nearly two-thirds of investors use manual methods including phone, email, fax and instant message, slowing the clearing and settlement process and increasing risk.

Many factors are driving increased trade flow volumes in the ETD market, and while regulations will continue to impact trading behaviour in the next few years, participants stated that traditional market factors are set to have a more significant impact on cleared derivatives markets going forward.

Roughly 80 percent of institutional investors said their changes in product usage are due to shifts in asset allocations and/or fund performance.

Nearly one-third of buy-side participants reported a shift from over-the-counter products to futures, and market data suggests that this number is likely to grow.

To address the issue, buy-side participants are increasingly spending on cleared derivatives processing. Greenwich Associates found an average spend of $800,000 annually on cleared derivatives processing.

In North America, nearly 60 percent of this budget is spent on human resources, with the rest spent on technology. More than 80 percent of respondents said they have no plans to hire new people, but instead plan to focus budget dollars on new systems to help streamline the process.

"In order to prosper in the exchange traded derivatives market, industry participants must ensure they have automated solutions in place that mitigate risk, process post-trade transactions consistently across all clearing methods and asset classes, and meet evolving regulatory demands and industry best practice," commented Ted Leveroni, executive director of derivatives strategy and external relations at Omgeo.

Crestbridge awarded internal AIFMD licence

Crestbridge is one of the first firms to be granted AIFMD licensing by the Luxembourg regulator CSSF, to become a provider of management company services to alternative investment funds.

The funds and corporate services provider is already authorised to provide services to UCITS funds under Chapter 15 of the law of 17 December 2010, but the process of gaining the additional authorisation "was a challenge requiring significant work", said Daniela Klasén-Martin, managing director and country head of Crestbridge in Luxembourg.

"Clients have been requesting this service for a number of months and we are delighted to be one of the first 'Super ManCos' able to provide services to both types of funds."

The transposition of the Alternative Investment Fund Managers Directive into Luxembourg national law on 22 July 2013 positioned the country as one of the first jurisdictions to implement the regulations, defining the framework for how alternative investment funds are to be domiciled there.

There continues to be much discussion within the industry about the impact on both the Luxembourg financial sector and others within the EU. However, it is clearly one factor among others that is contributing to the steep growth of AUM within Luxembourg.

Crestbridge provides management company services and independent risk management services along with fund, real estate, corporate and family office administration. The Luxembourg-based team provides governance and substance solutions to a range of fund structures and strategies.

KB Associates is next on the AIFMD factory line

KB Associates's management company has been authorised by the Central Bank of Ireland under the Alternative Investment Fund Managers Directive (AIFMD).

KB Associates is a provider of compliance, risk management and governance solutions to asset managers.

AIFMD offers managers of alternative investment funds a passport to distribute such funds across the EU. The KBA management company is available to support investment managers wishing to access this market.

Mike Kirby, managing principal at KB Associates, said "KBA is now in a position to ensure that investment managers can avail of the distribution opportunities afforded by AIFMD without incurring the cost of establishing and resourcing a management company in Europe."

"Furthermore, it significantly reduces the time to market for managers wishing to establish regulated alternative investment funds."

Lucky number seven

Harneys is to open its seventh office in Singapore on 7 April.

Colin Riegels, head of its banking and finance practice group, will relocate from Hong Kong to Singapore. He will be joined by funds partner Lisa Pearce.

Peter Tarn, chairman of Harneys's executive committee, said: "Singapore is a key jurisdiction in terms of cross-border capital flows and private wealth in South East Asia. Harneys's Asia practice has experienced explosive growth over the last couple of years, and I have every confidence that Riegels and Pearce will be able to build upon that success story in Singapore."

The office will open with six lawyers, including Allen & Overy Singapore alumni corporate counsel Shari Hawke and finance senior associate Richard Griffiths. It will offer the full complement of offshore transactional services.

Chapman's Eye on the market

A sunnier disposition

Dear reader, have you ever noticed how significantly your immediate environment can dictate your state of mind and outlook? If your office, the weather or geographical location are sub-optimal, then it's only too easy to have equally grey, despondent thoughts.

Over the last few editions of this column, I've touched on post-bonus blues, job insecurity and lack of respect/professionalism in the industry as topics. I suspect that it is no mere coincidence that those articles were written in the 'mizzle' of a Scottish winter or the equally depressing environs of a soulless office space in Central London.

However, by contrast, I'm writing this piece by the side of the infinity pool at the five-star Al-Bustan Palace hotel in Muscat, Oman, looking out over pale blue skies and gently lapping waves, sharing a jovial lunch table with a sub-custody sales manager and an outsourcing expert and their respective wives, which only adds to the highly relaxed and enjoyable atmosphere.

I'm here to attend the well-run Middle East Securities Forum and, in accordance with the above thesis, am feeling rather positive. This year has started strongly with a significant number of new, senior vacancies arising in a number of geographies, which we're working diligently on, and optimism and confidence appear to be returning in no small measure to the market. To top it off, that nice Mark Carney, who is the governor of the Bank of England, said today (12 March) that he "expects rates to rise six-fold" over the next three years, resulting in a welcome return of chunky net interest income figures.

Are there clouds on the horizon? Of course. The increased influence of transaction-minded 'ibankers' on the securities services landscape is destabilising some firms, the encroachment of regulation, much of it unwanted and unnecessary, into our working lives continues unabated, and the situation in Ukraine could yet escalate with global market consequences. At the time of writing too, the fate of the Malaysian 777 jet remains unknown, a slightly unnerving situation for those of us who fly often.

However, on balance, the ratio of negativity versus positivity has swung firmly towards the former, which can only be a good thing. Not as good as the waiter coming towards me with another Sea Breeze though—must dash!

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

Paul Chapman, managing director, HornbyChapman Ltd

Mandate Mangle

BNY Mellon has been reappointed by the London Borough of Croydon Pension Fund to provide custody, fund administration and cash management services to assets valued at £668 million.

Hani Kablawi, head of asset servicing in Europe, the Middle East and Africa at BNY Mellon, said: “We have established a strong and productive relationship with the Borough of Croydon and we look forward to building on that going forward.”

“At BNY Mellon we have continued to develop and refine our offering for pension funds in the UK as well as Continental Europe to ensure they have the comprehensive and value-for-money suite of solutions that addresses their evolving needs around asset safety, cash management, fund accounting and risk mitigation.”

Head of pensions and treasury at the pension fund, Nigel Cook, said: “The strength of BNY Mellon’s service offering and the depth of the team’s expertise were clearly demonstrated during the extensive benchmarking exercise we have recently undertaken in association with Amaces.”

HFT Investment Management has given **BNP Paribas Securities Services** custody of its recently launched renminbi (RMB) qualified foreign institutional investor (RQFII) fund offerings.

These include the China Money Market Fund under the RQFII scheme and the China High Yield Bond Fund, combining bonds traded in the Hong Kong and mainland China markets.

BNP Paribas provided a full suite of services for the funds encompassing global custody, fund accounting, transfer agency and Hong Kong trustee services.

The funds were launched in January and February. The Money Market RQFII Fund will primarily invest in money market instruments issued in China enabling investors outside China to enjoy mainland Chinese yield levels for these products.

The China High Yield Bond fund combines bonds traded in the Hong Kong and China markets and is being distributed to retail and institutional investors.

Jelle Vervoorn, CEO of HFT Hong Kong, said: “These funds are key milestones in our strategy to rapidly build a full RMB product range across asset classes that caters to the requirements of global investors.”

“With the support of BNP Paribas’s global reach and local servicing, we can focus on the key drivers of our business by building a solid track record in RQFII funds.”

Commenting on the deal, Bruno Campenon, head of Hong Kong at BNP Paribas Securities Services, said: "With our global expertise across multiple markets and international fund centres worldwide, we now provide our fund manager clients with another new channel in the RQFII space to support their business strategies, meeting the unique operational and regulatory requirements of China's fund market."

He added: "We are seeing a strong growing demand for our solutions across Asia and Europe. Our Hong Kong trustee service was set up in 2012 to meet this demand and we will continue to invest in developing capabilities to address the unique requirements for facilitating fund flows between Hong Kong, China, the rest of Asia and the world."

"We were very pleased to see successful fund launches by HFT HK, and look forward to supporting them to stay ahead of the industry in the process of RMB internationalisation."

Deutsche Bank is the new depository bank for the non-capital raising sponsored Level I American depository receipt (ADR) programme of IOOF Holdings.

IOOF is a financial services provider in Australia that has AUD 124 billion of assets under administration and management.

Naomi Flutter, head of global transaction banking for Australia and New Zealand at Deutsche Bank, said: "This new appointment reaffirms Deutsche Bank's commitment to its clients in Australia. By leveraging our customised value-added services, IOOF Holdings will be able to enhance its investor relations strategies and shareholder bases."

ABN AMRO Investment Management has launched the first two ABN AMRO Basic UCITS exchange-traded funds, which have been listed on Euronext Amsterdam since 6 February.

Following a long RFP process, ABN AMRO awarded the fund administration mandate to **CACEIS**. It is responsible for providing accounting and related services to the funds.

The ABN AMRO Basic UCITS ETFs respond to the "strong demand" for passive investment fund solutions in the market, said a statement.

The Netherlands-domiciled funds invest in a physical basket of shares, which replicates the complete composition of the tracked index. The funds do not make use of securities borrowing and lending, meaning that "there is no counterparty risk with the ETFs", said the statement. They can be bought in the orderbook or on the closing NAV of the day.

Bart Mantje, director at ABN AMRO Investment Management, said: "We are delighted to be able to offer these high quality investment solutions to the market. We believe that ABN AMRO Investment Management, combined with the advanced ETF fund administration services of a leading provider like CACEIS, demonstrates our willingness to respond to the market's demands for simple and transparent investment opportunities".

Joseph Saliba, deputy CEO of CACEIS, said that the firm had been working closely with ABN AMRO Investment Management to ensure that its ETF servicing capabilities were precisely tailored to its client's requirements.

"The CACEIS group is also strengthening its commitment to the entire Dutch market, as our new banking license enables us to greatly extend the range of services available to clients through our Amsterdam office."

Deutsche Bank will provide custody and fund administration services to PT Indo Premier Investment Management for its newly launched stock-based exchange-traded fund, Premier ETF SMinfra18 Mutual Fund.

The bank already provides the same services to Indo Premier Investment Management for two other ETFs.

Established in 2003, Indo Premier Investment Management is a subsidiary of Indonesia-based Indo Premier Securities. This ETF is the firm's fifth, and it is set up in cooperation with PT Sarana Multi Infrastruktur (Persero) as the owner of the SMinfra18 Index. The SMinfra18 Index is a collection of 18 stocks selected from the infrastructure sector.

John Item, president director of Indo Premier Investment Management, said that the firm chose to have an infrastructure focus for this ETF due to the significant need for infrastructure construction in Indonesia.

Deutsche Bank is the largest custodian in Indonesia by assets under custody and the largest domestic fund services provider in the Indonesian market.

Citi Investor Services has been picked by an asset manager specialising in emerging and frontier markets to provide a complete suite of fund services, including custody, depository, fund administration and transfer agency, for its recently-launched China A-Shares Fund.

The fund of asset manager East Capital group is a sub-fund under the East Capital (Lux) SCA, SICAV-SIF umbrella fund.

The East Capital China A-Shares Fund, which invests in Renminbi-denominated A-shares listed on China's mainland stock exchanges in Shanghai and Shenzhen, is registered in Luxembourg and already fully subscribed. The new mandate extends Citi's existing relationship with East Capital, for which the bank already provides fund services.

"East Capital is the first fund management firm domiciled in the Nordic region to receive a quota approval from the State Administration of Foreign Exchange under the Qualified Foreign Institutional Investor (QFII) programme," said Karine Hirn, partner and co-founder of East Capital.

Patrick Curtin, head of global fund services at Citi Investor Services, said that the mandate highlighted the strength of Citi's long-term relationship with East Capital and the two firms' joint efforts to provide investors with access to investment opportunities in mainland China.

BNP Paribas Securities Services and AXA Investment Managers (AXA IM) have extended an existing partnership to include settlement agency services in Latin America.

The deal was kickstarted by BNP Paribas gaining membership to the National Securities Clearing Corporation (NSCC) regional clearing platform.

The deal represents a "significant move" by AXA IM to capitalise on the trend for fund managers distributing into the Latin American region, said a statement from BNP Paribas.

"Investors and, crucially, local regulators are becoming ever more open to opportunities to connect local investors with inbound international funds. Connecting to NSCC through BNP Paribas enables AXA IM to make its fund ranges accessible to the largest brokers active in Latin America. This step is part of AXA IM's ongoing efforts to expand and strengthen its geographical footprint."

Joseph Pinto, COO at AXA IM, said: 'Latin America is a key target market for us as the doors into the region are opening. This deal sees the extension to Latin America of AXA IM's 'offer to meet needs everywhere'—a highly successful client service platform already in place in Europe and Asia."

"We want to make it as easy as possible for clients to invest with us and the ONE platform was designed to provide simple and efficient access for investors to AXA IM's fund ranges."

Jean Devambez, head of asset and fund solutions for BNP Paribas Securities Services, said: "European asset managers have their sights fixed on Latin America, but there are several barriers which are causing them to hesitate. We believe that a fuller understanding of the region will allow many more managers to take advantage of the opportunities there."

BNP Paribas, in conjunction with SAGALINK consulting, recently produced a whitepaper on the five most important target destinations for fund distribution in Latin America. The whitepaper is designed to aid fund managers navigate the nuanced local regulatory environments and understand investor behaviours.

Devambez added that Latin America has become a hot spot for fund distribution, attracting a growing number of foreign funds and asset managers attempting to capture rapidly growing local interest in foreign securities. **AST**

A land of opportunity

As Africa's markets grow and its investors gain experience domestically, they are also looking to become a part of incoming and outgoing investments on a global scale

STEPHEN DURHAM REPORTS

Over the last 20 years, the African continent has seen significant development of its market structure. In what has been, economically, a relatively short period of time—the region has gone from strength to strength domestically, which has led to many African countries opening up their markets to foreign investors. This growth has also allowed some of the big international banks to roll out expeditionary securities services in Africa's frontier markets, and begin facilitating the settlement and safekeeping of domestic assets.

A number of the more significant African markets now have central securities depositories (CSDs) in place of a traditional stock exchanges, and some of these markets have grown between 20 and 40 percent in the last two years alone.

Within sub-Saharan Africa and in support of regional financial integration, the Central Bank Governors in the SADC Development Community have initiated a project to integrate banking infrastructures. The project focuses on the cross- border movement of cash to ensure cash settlement obligation fulfilled while a number of the CSDs are working on securities settlement components that accompany the cash movement and potential CSD integration.

Monica Singer, CEO of the South African CSD Strate, highlights that South Africa has opened its door to other markets in Africa for the use of its infrastructure and technology, and is currently in discussions with countries in the region to provide CSD services.

In addition to attracting outside interest from international investors, a number of these countries have also been exhibiting domestic growth—with insurance, pensions and other asset management activity becoming prominent. This growth, in turn, has created a push for the evolution of domestic capital markets, as well as a call for standards from regulators and custodians.

While the economic powerhouse of South Africa still dominates the continent, some of the more developed frontier markets such as Kenya, Ghana and Nigeria are well ahead of the curve and showing rapid economic growth.

According to regional head of investors and intermediaries for Standard Chartered in Africa, Hari Chaitanya: "It is a great challenge to operate in such a diverse region. While people may call it Africa or even see it as some kind of 'US of Africa'—this is not the case. Each country is so different and the sub-regional groups complicate matters further. Some initiatives, such as a number of the east African countries attempting to integrate and align their capital markets, could allow investors to trade between each other's markets—but these are still in the early stages."

Another initiative, AMEDA, is a non-profit organisation comprised of CSDs and clearinghouses in Africa and the Middle East. It acts as a forum for information exchange between members and a platform to promote best practices in services such as securities depository, clearing, settlement and risk management.

AMEDA's goal is also to support local markets in their efforts to adopt securities market regulations and to help them bring their operational standards and procedures into line with international standards and regulations, while taking account of their specific circumstances.

The markets of west African countries Benin, Burkina Faso, the Ivory Coast, Guinea-Bissau, Mali, Niger, Senegal and Togo are all linked by regional securities exchange, BRVM. Although these markets take marginally different regulatory approaches, they are all still serviced by the same exchange.

This kind of frontier growth has assisted in the development of domestic markets. Chaitanya continues: "Africa's frontier markets are diverse and have their own distinct challenges, but these attempts to introduce common practices and interlink with each others' regulators and exchanges are definitely a positive sign."

Standard Chartered has grown substantially in Africa in the past few years alone. The company's assets have increased by 200 percent in the space of two years, and they currently employ 120 people, up from only 70 in 2010. The bank has also begun to introduce new products such as trustee services in Uganda and Botswana.

The goal for banks such as Standard Chartered is to eventually use the same global platform across all 32 of its current markets, so as to ensure that the same level of service is delivered to clients, regardless of their location.

Commenting on custodians' operations in places such as Africa, Andrew Duffin, head of sales and emerging markets for Societe Generale Securities Services (SGSS), says: "As a custodian bank, the ultimate objective is to deliver the same level of client protection universally and a standardised service irrespective of the market. If that means that, as a custodian bank, we have to work with the regulators, the lawmakers and the local market infrastructure—whether that a CSD or stock exchange—we will do that with a view to try and enhance the market and deliver that standardised service. That is what we want to achieve across Africa."

Africa is also benefitting from the past experience of international players such as Standard Chartered and SGSS. These banks were operational during the past 30 years of economic growth in Asia and are, concordantly, able to share their experiences of frontier growth and connect with players from here to there so they can learn.

Being relatively late to the industry has allowed African frontier markets learn, not just from neighbouring South Africa, but from global domiciles as well. For example, when recently Nigeria rolled out new trading systems, it chose to use the same as is used in New York. It is this breadth of reference that potential markets in Africa can look to, with a view to being considered as a truly international securities domicile. **AST**

Opting in

Tania Dupoy of Goal Group breaks down how the 2002 ABB corporate scandal, dubbed 'the Swedish Enron', was the key motivation for allowing private rights of action for securities disputes

Although the US is still the most developed and dominant centre for securities class actions filings, there has been a growing pressure of global class action cases looking for a home in a legislature that is able to define and prosecute a global class. The 2010 Morisson versus NAB ruling now prevents non-US shareholders, whose stock was purchased on a non-US exchange, from suing a non-US company through a US court. Having initiated class action legislation at the beginning of the 21st century, Sweden presented itself as a European forerunner. Goal Group's analysis of its class actions knowledge base predicts that by 2020, annual securities class action settlements in Europe will reach almost $4 billion.

The Swedish Group Proceedings Act (2003) was enacted to allow for two types of actions to be processed: private opt-in class actions and representative actions. The act formed one of the earliest pieces of class action legislation in Europe and it can be applied to any type of claim. It is fair to assume that the breaking of the 2002 ABB corporate scandal, dubbed 'the Swedish version of Enron', was the key motivation for allowing private rights of action for securities disputes.

A private opt-in class action is the appropriate mechanism for filing securities class actions in Sweden and it can be initiated by an individual or legal entity. Those wishing to join as members of the group must actively opt-in by informing the court, and are required to have a similar claim to the plaintiff who initiated the filing. The initiating plaintiff leads the case but must hear the opinions, and represent the interests of the other members.

The court monitors the lead plaintiff and if it deems them to be inappropriate for the role, it then controls the leadership of the class action. Opting-in binds the group members to any decision that is made, but if one should miss the deadline to opt-in, it is still possible to bring a claim over the same misconduct in the future. The court is required to approve a settlement.

With such a long-standing history of securities class actions, it is quite possible that Sweden could become a regional centre for the prosecution of such cases, especially since the 2010 Morisson versus NAB ruling in the US. This has therefore presented an opportunity to other jurisdictions to process the cases. There are some limitations that face Sweden at present, however, as it currently adopts the 'loser pays' system whereby members of the class are at risk of paying the defendant's costs should the lawsuit fail. This, combined with an 'opt-in' as opposed to 'opt-out' mechanism, may deter the use of class actions.

A Goal Group study forecasts that by the end of the decade, $2.02 billion of investors' rightful returns will be left unreclaimed each year. Despite some limitations, Swedish investors and fiduciaries should act vigilantly and make use of the ability to file securities class actions, especially as responsibility for the identification and participation in securities class actions is increasingly being included in the contracts of custodians. As Krister Azelius of Swedish law firm Advokatfirman Vinge highlights, there has been "a growing number of disputes … where the claimant alleges that the consultant has been reckless in giving advice."

Not only should Swedish opportunities be monitored, all parties should acknowledge cross-border opportunities to file a securities class action to reclaim rightful damages. 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

Industry appointments

Frank La Salla
CEO of alternative investment services
BNY Mellon

Daniel Maguire
Global head of SwapClear
LCH.Clearnet

Graham Vidler
Head of external affairs
National Association of Pension Funds

BNY Mellon has appointed **Frank La Salla** as CEO of its alternative investment services (AIS) business, a role that Samir Pandiri has held for the past two years.

La Salla will report to Pandiri, who is BNY Mellon's executive vice president and CEO of asset servicing. He was most recently managing director at Pershing LLC, a BNY Mellon company, where he was responsible for all of Pershing's business outside of the US and led its global growth strategy.

At BNY Mellon, he will be based in New York and oversee a team of more than 2,000 AIS professionals worldwide.

Alongside his new role, La Salla will remain on the board of Pershing Limited in the UK and continue to represent BNY Mellon on the board of directors of Euroclear PLC and Euroclear SA.

Before BNY Mellon's acquisition of Pershing in 2003, La Salla was president and chief operating officer of BNY Clearing Services LLC. Prior to that, he served as managing director and chief operating officer at Société Générale Securities Corp. in the US.

LCH.Clearnet has promoted **Daniel Maguire** to global head of SwapClear, its interest rate swap clearing business.

Maguire replaces Michael Davie, who will focus on his role as CEO of LCH.Clearnet. Maguire will report to Davie and will also join LCH.Clearnet Group's executive committee.

Most recently, Maguire was the head of SwapClear in the US and global head of product and marketing, where he spearheaded SwapClear's development into client clearing.

Originally joining LCH.Clearnet in 1999, he returned to the firm in 2008 having spent three years at JPMorgan Chase, working in the global commodity exotics and hybrids business.

The National Association of Pension Funds (NAPF) has appointed **Graham Vidler** as head of external affairs.

Vidler, who begins his new role in late spring, will be responsible for leading the NAPF's external affairs activity including policy, research, media and parliamentary affairs.

He joins NAPF from The National Employment Savings Trust, where he was director of communications and engagement.

Before joining NEST, Vidler worked on pensions from a variety of perspectives: as a researcher at the House of Commons; as a policy adviser for the Association of British Insurers; as the head of policy at Which?; and as head of marketing at Norwich Union Life.

Fraser Mackenzie and **Andy Cullen** have joined Commerzbank Market Services as strategic consultants focused on product growth, integration and delivery for custody and collateral services.

They joined Commerzbank on 24 February and report to Robert Scott, head of custody and collateral solutions at Commerzbank Corporates & Markets.

Mackenzie previously spent more than 25 years at Barclays, and Cullen was most recently a project manager for European custody strategy at Northern Trust. **AST**

AST RECRUITMENT

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Recruiter: Funds Partnership
Salary: Competitive
Location: UK

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Senior Product Manager, Custody Product - Securities Services

Recruiter: HornbyChapman Ltd
Salary: HornbyChapman Ltd
Location: Hong Kong

Our client, a leading international bank, is seeking a high calibre professional to join their securities services team as Senior Product Manager, Custody Product. Cantonese and/or Mandarin language skills along with English are essential requirements for the role.