AST ASSETSERVICINGTIMES
ISSUE093
09.07.2014 WEDNESDAY
assetservicingtimes.com

It's now or never for FACTA

From 1 July, financial institutions will face tax-withholding penalties if efforts are not being made to comply with the Foreign Account Tax Compliance Act (FATCA).

The act requires institutions to identify US citizens who have invested in either non-US financial accounts or non-US entities to prevent the hiding of income and assets overseas.

Steve Engdahl, senior vice president of product strategy for data management provider GoldenSource, says that firms must check for "last-minute consideration or requirements" as some firms have "focused on gathering data on US-domiciled clients but not paid as close attention to US-based securities held by clients."

He added: "From what we're seeing, tier-1 financial institutions have made the biggest strides towards FATCA compliance. These are firms that are quite disciplined in their project approach [and] are positioned to detect and escalate impending requirements."

"Smaller firms are running much closer to deadlines in terms of getting everything together to meet the baseline requirements. They too might be surprised when they discover pieces that they overlooked."

"FATCA is a regulation which impacts global financial institutions and those operating outside the US, however it also applies to US-based securities services firms who provide services to financial institutions with operations outside the US. The deep implications of FATCA may not have occurred to such US-based firms until later in the game, and thus they might also have catching up to do."

Deutsche Bank creates new securities unit

Deutsche Bank has aligned its trust and securities and cash management and securities sales into a single unit.

The new organisation is within the bank's global transaction division, under the new title of institutional cash and securities services (ICSS), and will be led by Satvinder Singh.

Werner Steinmueller, head of global transaction banking at Deutsche Bank said: "Our aim is simple yet ambitious—to put clients at the heart of global transation by creating an organisation that meets their specific needs."

The unit will facilitate greater connectivity with key coverage partners within Deutsche Bank, to allowing ICSS effectively leverage bank-wide client relationships, according to reports.

"This allows us to invest in our core competencies and become more client-centric. The alignment of product and sales enables us to intensify the delivery of our client-focused solutions," added Singh.

Slight drop for Eurex Group

Eurex Group has recorded an average daily volume of 8 million contracts for June, a drop compared to the same month in 2013, when Eurex reported 10.1 million contracts.

Out of the new years figure, 6 million were Eurex Exchange contracts and 2 million were traded at the US based International Securities Exchange (ISE), with a total of 126 million contracts traded at Eurex Exchange and 42 million at ISE.

In equity index derivatives sector Eurex Exchange achieved 56.4 million contracts. The largest derivatives contract was the future on the EURO STOXX 50 Index with 26.3 million contracts.

BlueBay selects Confluence for reporting solution

BlueBay Asset Management has selected Confluence's Unity NXT regulatory reporting solution to automate its data reporting processes.

The solution will ensure that data will comply with current regulatory demands as well as anticipating future regulations.

Unity NXT regulatory reporting solutions will solve complex data aggregation and reporting challenges, including those associated with Alternative Investment Fund Managers Directive (AIFMD), Form CPO-PQR and Form PF reporting.

Asset managers across Europe face increasing challenges because of data integration, data reporting problems and regulatory demands. These solutions will help asset managers with completeness, accuracy and control over each respective reporting process.

Simon Lumsdon, global head of technology at BlueBay, said: "As part of our drive to automate our regulatory reporting solutions, we wanted a platform that would allow us to fulfil not only our current AIFMD, Form CPO-PQR and Form-PF reporting obligations, but also allow us to meet future obligations."

"We chose Confluence because of their expertise and their known track record in helping the industry adapt to changing regulatory requirements."

Commenting on the new AIFMD and its pending 22 July deadline, Hugh Byrne, managing director of Europe, Middle East and Africa business development at Confluence said: "Increasing fund management regulation is proving to be a technical challenge for the fund industry. Asset managers are looking to lower costs and reduce time spent whilst increasing accuracy and control when reporting on the fund's data."

"We are delighted that BlueBay Asset Management has selected the Unity NXT regulatory reporting solutions and will work with them to create more efficient reporting to align with current and upcoming regulatory requirements."

Linedata Compliance to ease regulatory requirements

Linedata has released the latest version of Linedata Compliance, which offers a real-time system with investment monitoring that introduces "as-of" compliance capabilities and expanded user-defined controls.

With tougher regulations in place, the solution will allow asset servicers to improve strategic planning and to better position firms to deliver value-adding service to clients.

Linedata Compliance focuses on consolidating existing complex business requirements and workflows of compliance officers at fund administrators, global custodians and asset managers.

The "as-of" compliance allows clients to store historical data and run post-trade investment compliance for any selected effective date, recreating specific portfolio situations.

Bob Proctor, vice president of front office asset management product strategy at Linedata, said: "Our asset servicer clients require a core compliance environment to meet regulatory demands and lower operational risk."

"With compliance having shifted from being a mere ex-post monitoring element into being a vital strategic planning tool within an organisation, meeting the complex demands of regulators and clients will better position [asset servicers] for future growth."

He added: "Linedata Compliance, coupled with our service offerings, including Linedata Disclousure Services, positions our clients for continued success."

NSD backup office goes full time

The National Settlement Depository's (NSD) backup office will be in full time operation as of 1 July.

This approach will allow NSD to minimise the time of recovery for business processes in the backup office in case of a large-scale emergency situation, according to reports.

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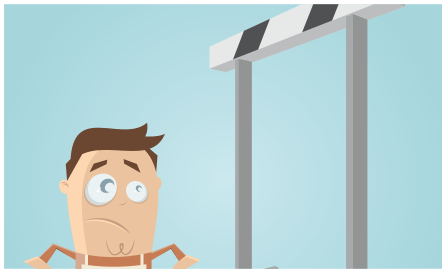

NSD stated that the decision to take the backup office full time was a strategic move to help the company "move towards" its goals.

Clear Peak Capital chooses CYMBA

Clear Peak Capital has chosen CYMBA Technologies's pre and post-trade compliance system, Athena IMS for its fund launch.

The platform offers "straight through" processing (STP) of orders to ensure a fully compliant, audited, accurate and efficient workflow process, according to CYMBA.

Fiona Laver, COO of Clear Peak, said: "We were impressed by CYMBA's clear understanding of the front office functionality we required as a small authorised UK alternative investment firm management."

Clear Peak chose the Athena platform to satisfy clients' needs for security, audit, transparency, STP and scalability required within an investment manager and front office platform.

"The team's willingness to respond quickly and effectively as our system specifications developed, made for a seamless process in the run up to our fund launch," added Laver.

Karim Ali, managing partner at CYMBA, also commented on the agreement: "We are delighted to welcome Clear Peak Capital as a new CYMBA client. We look forward to a long and mutually beneficial partnership."

NAB exploring options for new world-class custody services

The National Australian Bank (NAB) has today revealed it is in the process of discussions with a number of global custody providers for options in future operations of the NAB Asset Servicing (NAS) business.

The discussions are focusing on ways to enhance the current global and local custody providers to deliver "world-class" customer service and delivery of products.

In a statement released by NAB, discussions and potential arrangements are set "over the coming months."

Details of those involved in the discussions have yet to be released.

NSD and National Payment Council tackle finance

Tighter measures are to be implemented in the Russian payment system.

The National Settlement Depository (NSD) has signed an agreement with the National Payment Council to improve the national payment system in Russia.

Under the agreement, both NSD and the Payment Council will work together to improve settlement services in both Russian and international financial markets.

Combined, the business partners will intend to improve illegal use of insider information and market manipulation and protect information in the payment systems.

Money laundering and terrorism financing will be tackled, and the partners intend to develop standards for procedures of control over payments.

Henderson builds US links

Henderson Global Investors has entered an agreement to acquire the entire issued share capital of Geneva Capital Management.

The move to acquire Geneva is part of Henderson's strategy to develop in the US markets and to globalise its business.

With $6.3 billion in assets under management (AUM), Geneva will quadruple Henderson's

US institutional AUM. The transaction will take place in four stages with the up front consideration estimated at $130 million.

Andrew Formica, chief executive of Henderson, said developing presence in the US is a "strategic priority for Henderson" and is a "major step" towards achieving growth ambitions as a global asset manager.

He added: "It will increase our assets under management in the US by over 50 percent, add investment management expertise in US equities and extend our US institutional client base."

"We look forward to working with the Geneva team, to ensure that all of our clients benefit from our new partnership. Henderson clients will gain access to Geneva's strong track record in identifying high quality growth companies in US equities, while Geneva clients will continue to benefit from a stable team and an unchanged investment process, now backed by a global pure play asset manager."

Amy Croen, co-founder and managing principal of Geneva, said: "The team at Geneva is excited to join Henderson. With the backing of a strong international partner who is very supportive of our existing investment strategy and platform, we look forward to taking our business to the next stage of its development."

"On behalf of our clients, we will continue to apply the same consistent investment approach and process that have generated strong risk-adjusted returns since our foundation in 1987."

The transaction is expected to close on 1 October.

SGSS to service OTC derivatives

Societe Generale Securities Services (SGSS) has launched a trade repository reporting offer for over-the-counter (OTC) derivatives, servicing multi-counterparties and multi-asset classes, under the European Markets Infrastructure Regulation (EMIR).

This new regulation requires that all EU counterparties report their derivative contracts, whether OTC or exchange-traded, to a trade repository in order to provide transparency in the derivatives markets.

As required by the European Securities and Markets Authority (ESMA), SGSS has designed its trade repository reporting service to support OTC derivatives users in the EU through the entire trading process.

SGSS reports details for derivatives transactions to DTCC Derivatives Repository on a D+1 basis for all counterparties. Spanning all derivative asset classes, SGSS also provides reconciliation in the event of a rejected trade and manages contracts for the daily reporting of open positions and retroactive reporting for matured trades, as necessary.

EU counterparties that fail to comply with EMIR reporting requirements may be subject to administrative penalties.

In addition to the core range of reporting services, SGSS provides a full range of value-added services either as a fully integrated solution or as modular options.

These services include independent valuation for challenging counterparty OTC derivative prices, extended connectivity with clearing brokers and custodians as well as position-keeping and collateral management services.

Collateral transformation needs can also be managed through SGSS's repo and securities lending desk. This range of services can be adapted to clients' specific structures and needs and rolled out on a pan-European basis through SGSS' platform.

GFT acquires Rule Financial

GFT Technologies AG has signed an agreement via its subsidiary, GFT UK, to acquire the UK-based company Rule Financial and all its international subsidiaries. The parties agreed not to disclose the acquisition price.

The transaction strengthens the GFT Group's position as one of the leading IT service providers for the banking sector in Europe and North America.

The GFT Group has been represented by its local office in the UK since 2000 and in the USA since 2008. Founded in 1997, Rule Financial offers services for investment banks in both countries as well as in the rest of Western Europe and North America, with its main focus on business consultancy, IT consultancy and IT services.

"In this sector, the GFT Group is one of the few listed family businesses with strong Ger-

man roots. The acquisition of Rule Financial will strengthen our position in the fast-growing capital markets sector," says Ulrich Dietz, CEO of the GFT Group.

"By pooling our offerings, we can now provide an even more comprehensive portfolio of solutions for the banking sector—including the necessary business consultants and IT experts. We regard the move as a clear win-win situation for both companies. As a powerful innovation partner, we aim to shape the sector's future together."

Marika Lulay, COO of the GFT Group said: "We see further strong growth potential in the field of investment banking. A raft of new regulation in the UK and US is forcing all market participants to make radical adjustments to their processes and IT systems."

"We are an attractive employer with highly skilled business specialists and IT experts who can guarantee a top-quality and punctual implementation of these complex IT projects, using innovative technologies and methods."

In London, Rule Financial has 250 business and IT consultants, with a further 80 in New York, Boston and Toronto. The Rule Financial nearshore facilities in Poland, Spain and Costa Rica provide 480 programmers, who will complement GFT's development centres in Spain and Brazil, which currently have over 1,400 experts.

China's AMAC signs first international MoU

The Alternative Investment Management Association (AIMA) has signed a memorandum of understanding (MoU) with the Asset Management Association of China (AMAC).

This is the first time AMAC has signed an MoU with an international organisation.

The signing of the MoU highlights the commitment of the associations to strengthening exchange and cooperation between the Chinese and international fund management industries.

The MoU signing was part of a five-day trip to Beijing by senior AIMA representatives during which AIMA was also appointed to AMAC's newly formed International Partners Committee (IPC).

The IPC's inaugural meeting was followed by AMAC's annual conference at which AIMA CEO, Jack Inglis gave a keynote speech on the regulation of hedge funds in capital markets.

The week concluded with the first International Hedge Fund Leadership Forum in Beijing, a conference jointly hosted by AIMA and AMAC, which examined some of the current regulatory, operational and marketing challenges facing hedge funds.

Inglis, said the MoU signing underlines AIMA's "commitment to engaging with industry professionals, regulators and policymakers in China."

He added: "We have of course taken a very strong and active interest in China for some time."

"We are very much looking forward to working more closely with our colleagues at the Asset Management Association of China, and I would like to pay a special tribute to the chairman of AMAC, Dr Sun Jie, for helping to foster such a warm and collaborative relationship between our two organisations."

Jie added: "As the main trade association of China's asset management industry, AMAC has been developing close cooperative relationships with international counterparts and we are pleased to celebrate our strong relationship with AIMA through the signing of our first international MoU with them."

"In June 2013, [China's] Funds Law was extended to cover non-public funds; and after the 'nine-points' policy issued by the State Council, the hedge fund industry in China is facing a historic market opportunity and huge development space.

"Through the signing of this AIMA/AMAC MoU, as well as our co-hosting of the first International Hedge Fund Leadership Forum with AIMA, we look forward to jointly building up an exchange platform for onshore and offshore industry participants; and facilitating the sound and sustainable development of the hedge fund industry in China."

Alter Domus has acquired fund services provider

Alter Domus has successfully completed the acquisition of Paris-based firm, Vigel & Associés.

The firm specialises in providing accounting, tax compliance and administration services principally for real estate firms but also for private equity, corporate and private client structures for both international and local French clients.

Vigel & Associés was founded in 2002 by Claude Vigel and comprises of a team of 17 people, who will all join Alter Domus as part of the acquisition. Vigel will head up the Alter Domus overall operations in France.

Laurent Vanderweyen, CEO of Alter Domus, said: "The acquisition of Vigel & Associés complements perfectly our recent set up of fund administration services in France."

"We are able to provide our clients with a vertically integrated approach, from outsourced fund administration to management and administration of local companies."

President of Vigel & Associés, Vigel, added: "Our combined service offering significantly strengthens our position in France with regards to both our existing and future clients."

BNY Mellon creates markets group

BNY Mellon is merging key businesses ahead of the departure of three executives.

The firm's global markets, global collateral services and prime services businesses will merge together under the newly formed markets group, and will be led by CEO of investment management, Curtis Arledge.

Kurt Woetzel, head of global collateral services, has become president of BNY Mellon's markets group and will report to Arledge.

Arledge will to report to BNY Mellon chairman and CEO Gerald Hassell, as will Brian Shea, the president of investment services, who will become vice chairman and CEO of investment services.

Shea will also continue in his role as head of client service delivery and client technology solutions.

Hasell said: "This strategic realignment is about delivering to our clients the most innovative services and solutions available in the market, effectively and efficiently."

Tim Kearney, vice chairman and CEO of investment services, will say goodbye to BNY Mellon on 30 September. He is leaving to pursue other interests.

Brian Rogan, vice chairman and chief risk officer, and Art Certosimo, CEO of global markets, will also be leaving BNY Mellon at the end of the year. They plan to retire.

"Kearney, Rogan and Certosimo have each made extraordinary contributions to our company over their careers and they have been instrumental in making BNY Mellon the global leader it is today," said Hassell.

"I am grateful for their partnership and insights."

London and Casablanca forge partnership

The London Stock Exchange Group (LSEG) and Casablanca Stock Exchange (CSE) have signed a strategic agreement to expand CSE's activity in the North Western and Central African regions.

The agreement, signed by Xavier Rolet, CEO of LSEG, and Karim Hajji, CEO of CSE, took place at a special ceremony presided over by British and Moroccan dignitaries such as King Mohammed VI of Morocco.

Following the agreement, LSEG will share its expertise on the full exchange business chain including listing, trading, clearing, settlement and custody in order to position Casablanca's capital markets and financial infrastructure as a regional hub.

In addition, MillenniumIT, part of LSEG, will provide trading and market surveillance technology to CSE.

"This strategic partnership between LSEG and CSE holds huge potential for future business opportunities within Morocco and the wider North West and Central Africa region, and we hope that it will serve to strengthen the economic ties between the UK and the region," commented Rolet.

Hajji said: "I am convinced that together we will build a solid foundation paving the way for new business and investment opportunities in North, West and Central Africa."

The CSE is one of the most developed markets in Africa with a market capitalisation of £33.56 billion (at the end of May) which represents 54 percent of Morocco's GDP. More than 30 percent of the capitalisation is owned by international investors.

Outsourcing is a positive, say BNP Paribas and Investit

Asset managers are increasingly looking to outsource their front office operations, according to BNP Paribas and London-based consultancy firm Investit.

Outsourcing reduces overall costs and operational risks, and provides diversification in new markets, as managers need to "keep pace" with new regulatory requirements and advances in technology, according to the survey.

Asset managers are at a "crossroads", according to Philippe Boulenguiez, head of dealing services at BNP Paribas.

"They are looking for revenue streams in new asset classes and geographies, while having to demonstrate best execution and cope with market fragmentation."

Investit surveyed 31 investment managers including in-house pension managers and global asset management firms.

The survey found that access to technologies and specialist teams were advantages in the managers' opinions, as were extended dealing hours and market proximity because of outsourcers' various locations.

Richard Phillipson, principal and director of institutional consulting at Investit, said: "Managers increasingly see outsourcing their dealing function as an economically attractive approach to achieving best execution."

Gilbert Dupont chooses SunGard for trading platform

Societe de Bourse Gilbert Dupont has selected SunGard to access Turquoise, the multilateral trading facility operated by the London Stock Exchange.

Glibert Dupont, a subsidiary of the Group Credit du Nord, which is a part of Societe Generale, will add Turquoise to its hosted smart order routing platform, which SunGard operates.

Outsourcing to SunGard the complexity of smart trading across multiple venues has enabled Gilbert Dupont to deliver competitive and profitable execution services in Europe's new market landscape, according to secretary general of Gilbert Dupont, François de Lard.

"Adding access to Turquoise will help Gilbert Dupont to further improve the quality of the service we deliver to our clients," added de Lard.

SunGard also has a Valdi Market Access hosted solution that will allow customers to leverage outsourced trading and data connectivity to reach markets quickly in a cost-controlled environment.

Philippe Carré, global head of connectivity of SunGard's capital markets business, stated: "Delivering smart access to pan-European liquidity is an essential part of SunGard's strategy to offer enhanced value to capital markets' players.

"Key to this strategy is the ability to add new venues quickly and easily, in a cost-controlled environment."

Chapman's Eye on the market

The times they are a'changing….

You might say no 'surprise' Sherlock but trends, by their very nature and definition, are transitory—why only yesterday it seems like the prevailing fashion amongst men was for a fully buttoned-up Ben Sherman shirt, tight jeans, Harrington jacket and converse trainers. Nowadays it's more likely to be a checked shirt, bushy ginger beard and perhaps a prominently-placed Union Jack tattoo.

I state this as it was revealed this week that the penchant for 'dress-down' days is increasingly going by the wayside, as people realise that the impression given by casual clothes implies a certain laissez-faire attitude which is inappropriate in a business environment. Obviously formality within dress styles can go too far the other way. As someone who was once told off for walking with my hands in my pockets by a boss while walking around the City (it was a very formal firm, where at the time ladies were obliged to wear skirts as opposed to trousers)..

I truly believe that no argument should rage over whether or not the bottom button on a waistcoat should be left undone or not. Likewise, out of work and in personal time I feel it is up to the individual wearer whether or not they show 'mankles' under their 'meggings' or make a different type of statement by wearing a pair of bright red trousers. On that subject there is a hilarious website devoted to red-trouser-wearing types, the address of which is actually too rude to repeat in such a genteel column as this but it is worth a Google if you have a moment or too.

Similarly, trends in the asset servicing industry change fairly quickly too – we all remember the early gold rush days of outsourcing, whereby banks were falling over themselves to write cheques in order to secure their trophy, anchor client in the hopes of establishing a beachhead after which all others would follow.

Fast forward to the present day, whereby each and every potential outsourcing deal is scrutinised for impact on current business, ROI, potential reputational benefits – or impact – and hard decisions are taken to progress or withdraw from a deal right up to the heads of agreement stage. It is evident that the industry has matured and no easy profits are left to be made.

The same could be said of securities lending, FX and prime brokerage. At one stage they were the darlings of the industry, though they have had a turbulent time in recent years for multiple well-publicised reasons and are currently at different stages of health. There are slight recoveries being seen by the first two but a steady decline in the latter, as evidenced by the recent redundancies of some senior and highly respected figures in that space.

In such a transitory and fickle industry one thing is certain though, that 'form is temporary but class is permanent'—a statement worth keeping in mind whichever corporate clothes you're wearing. Firms which can remain consistent in their delivery, outlook and ethos, as well as how they treat their employees and clients, are invariably the ones who can and will weather the storm best.

Paul Chapman, managing director, HornbyChapman Ltd

Mandate Mangle

BNY Mellon is in negotiation with **Deutsche Asset & Wealth Management** (DeAWM) to provide fund administration outsourcing services, representing approximately $47.6 billion in assets under administration.

Under the proposed agreement, DeAWM would outsource its real estate fund finance, fund accounting, asset management, accounting and client and financial reporting functions to BNY Mellon.

Upon the deal closing, it is estimated that 80 members of the DeAWM global real estate fund finance team would transfer to BNY Mellon to become part of its alternative investment services organisation.

Samir Pandiri, executive vice president and CEO of asset servicing at BNY Mellon, says the relationship would allow the firm to “build a more integrated real estate accounting, operations and client reporting.”

He added: “We are committed to retaining the experience and expertise of DeAWM’s global fund finance team and will rely on these valued employees to continue to drive the growth of our real estate fund administration business.”

Pierre Cherki, head of alternatives and real assets for DeAWM, says they are “excited” to expand their relationship with BNY Mellon and that: “This partnership will enable us to improve operational efficiency by leveraging the global footprint and resources of one of the world’s leading investment servicing companies.”

J.P. Morgan Investor Services has confirmed winning a collective $31 billion from three custodian contracts in the last year.

Ranked as the largest custodian bank in Luxembourg, Morgan Stanley Investment Management has renewed its contract with J.P. Morgan as custodian and fund administrator for its Luxembourg fund range.

J.P. Morgan has become the depositary bank and fund administrator for the Jupiter Group’s Luxembourg Société d’Investissement à Capital Variable (SICAVs). The contract also includes J.P. Morgan being mandated to provide custody and fund accounting services to Jupiter’s UK Investment Trusts and pension funds.

The third contract saw J.P. Morgan appointed as depositary bank and fund administrator for the Santander Asset Management’s Luxembourg fund ranges.

Francis Jackson, head of investor services sales at J.P. Morgan, said: “J.P. Morgan brings a wealth of experience, expertise and market intelligence.”

BNY Mellon has been selected by BlackRock to provide custody, fund administration and trustee services for the UK’s first Tax Transparent Fund (TTF).

The first equity tracker fund from BlackRock will be offered to the company’s UK pension fund clients who are investing in US equities, with the expectation of the offer being extended to other asset classes in the future.

The launch of the BlackRock fund follows the introduction of the UK TTF in July 2013, which allows investors to maintain their tax position and access double taxation treaty benefits as if they had invested the assets directly.

BNY Mellon already has an existing relationship with BlackRock that encompasses custody, fund accounting and trustee services for investment manager’s onshore and offshore funds.

Tony Stenning, head of UK retail at BlackRock, said: “Given the ever increasing complexity for today’s investors, delivering simple, transparent, tax efficient solutions has arguably never been more important.”

“The introduction of this new structure by the Treasury last year is an important step in the next generation of tax efficient solutions for UK investors. We also welcome the arrival of a level playing field, bringing the UK in line with other European fund centres.”

Daron Pearce, head of investment management segment for investment services at BNY Mellon, said the selection by BlackRock “underlines BNY Mellon’s commitment to supporting clients as they look to innovate to provide investors with new investment avenues and opportunities.”

BNY Mellon has been appointed as global custodian of Valtion Eläkerahasto (VER), the state pension fund of Finland.

The appointment is for all direct equity and fixed-income instruments, which are valued in the region of €7.5 billion.

VER has chosen BNY Mellon for the bank’s ability to provide a straight-through processing interface to technology platforms that it already uses.

Deutsche Bank Fund Services has won the mandate for asset management firm Marshall Wace’s new London-listed P2P Global Investments.

Under the agreement, Deutsche Bank will provide P2P Global Investments with a regulated service including fund oversight, verification and safekeeping of assets and daily cash flow monitoring from its Luxembourg branch.

CFO Marshall Wace said that Deutsche Bank’s “track record and expertise made them a clear choice”.

“We are pleased to be able to extend the overall bank relationship with Marshall Wace with this integrated solution,” added Mike Hughes, global head of fund services at Deutsche Bank.

BNP Paribas Securities Services has been appointed to provide a range of debt market services, including collateral administration, trustee and liquidity services, to Intermediate Capital Group (ICG) for the launch of its latest European collateralised loan obligation (CL0) deal, St. Paul’s CLO IV.

The added liquidity, provided by BNP Paribas, will support deal structure and ensure smooth flows of interest from the asset pool to the end investor.

The bank has provided ICG, one of the largest and most established loan and credit fund providers in Europe, with custody, CLO and fund services since 2006. This included a recent mandate to provide fund administration, custody and transfer agency for ICG’s Senior Debt Partners Fund.

Stefano Bondioli, European head of sales for debt market services at BNP Paribas Securities Services, commented: “This mandate highlights the value we can bring to our clients through specialist and comprehensive loan market services and a strong liquidity backing. We look forward to continuing our relationship with ICG.” **AST**

One giant leap for T2S

Attendees of European Clearing and Settlement conference in London heard that T2S is "progressing well", but there is still more regulation to come

CATHERINE VAN DE STOUWE REPORTS

With less than a year to the 2015 launch, progress in TARGET2-Securities (T2S) and post-trade reporting were the key sessions at the European Clearing and Settlement conference in London.

As testing continues with the Eurosystem Acceptance Testing to assess the quality of T2S, one keynote speaker said T2S was "progressing well".

To date, 24 central security depositories (CSDs) that have signed up to T2S are preparing for the 22 June 2015 launch, which will be completed in four migration waves. The waves will introduce the CSDs in stages so as to not overwhelm the start of the T2S system.

With Denmark's central bank set to be the first non-euro currency joining T2S in 2018, the platform's horizons look "likely to expand globally", but for now are limited legally to European boarders.

Questions from the audience centred on possible technical difficulties with T2S once it goes live and if plans had been put in place. It was reassured that the risk of T2S not working was extremely low and that "backup hard drives" are available as a precaution.

The speaker acknowledged that T2S is a challenge: "Yes, T2S is huge, it's challenging, [but] we are on [the right] track. We can only succeed if the whole T2S community is contributing and supporting the effort. We have a good indication that this is the case because we are closely monitoring out clients readiness and the corporation is in really good shape."

Since the Euro crisis, banks have struggled to keep up with the fast-paced turnaround of regulation and legislation, with post-trade reporting splitting views on one panel. The European Market Infrastructure Regulation (EMIR) came into play earlier this year, yet one panellist reported that his firm "struggles to get an understanding" of the reports as they are not properly clarified.

In a later session, it was suggested that the EMIR reporting system would be reviewed next year as "the current regulation does not cover all of the G20 agenda". A second panellist added that it is "important for regulators to make data requirements [of reports] clear to reduce the risk of firms being fined for wrongly collected data."

In a separate session on regulatory change, Markets in Financial Instruments Directive (MIFID) II was deemed "the next big bang in regulation". Set to come out at the beginning of July, MIFID II will bring in new rules for execution venues, transaction reporting, transparency, commodities and the whole investment protection agenda.

The session also touched on over-the-counter (OTC) collateral reforms in a recently published draft of technical standards from the European Commission. The potential for a collateral shortage, brought about by current regulations increasing demand and a shrinking pool of eligible collateral, could increase because the new reforms could lead to any collateral posted to custodians getting "stuck", as it cannot be used again.

The new regulations have, at least, created a more competitive market with clients having more of a say in products. As transparency has increased, clients have become aware of the end-to-end costs, which lead to a decrease in fees as market participants compete against one another.

One panellist warned that, although markets are now subjected to the same standards that have ultimately decreased risk when launching a product, it is the members that have to manage the risk. As they have more say in what reaches the market, "it is up to the members to get the right product out there." **AST**

A place beyond the fjords

With banks finally gaining momentum, expansion and T2S are on the Nordic cards

CATHERINE VAN DE STOUWE REPORTS

As the Nordics shake off the last remnants of the financial crisis and embrace new European trading regulations, the time for market expansion has never looked better.

In early May, Switzerland based SIX x-clear completed the acquisition of Oslo Clearing. With trading venues in Germany, the UK and Switzerland, the Oslo Clearing take-over gave SIX x-clear the opportunity to open the door to expansion in the Nordic market.

“The Nordics is a region we have been committed to for a while but it has been a wide spot on our map,” explains Tomas Kindler, head of clearing at SIX x-clear, “We clear for Burgundy the regional Multilateral Trading Facility, but not for any Nordic clients.”

Oslo Clearing deals with the clearing of equities, financial derivatives and security lending products in Norway. According to Kindler, Oslo is “roughly a quarter” of the Nordic market and the acquisition of Oslo Clearing allows SIX x-clear access into Norway’s trading venue, Oslo Børs.

“We wanted to make an acquisition in the clearing space and we looked at a niche player that [would] gives us complimentary assets. With Oslo Clearing, in addition to the Nordic customer, they give us access into derivatives clearing capabilities that we currently [do not] have so we can further diversify on the products side.”

The move into Norway and into Oslo Clearing sets up SIX x-clear for future expansion of their derivatives clearing products, with the view to “internationalise [them], not only in the [Nordic] region, but on a pan-European basis.”

Trading regulations from European Securities and Markets Authority (ESMA), such as the European Market Infrastructure Regulation (EMIR), have become an “additional force” to trading, when “in the past, the time to market versus trading venues and the clients has been important.” Part of the appeal of Oslo Clearing is Norway’s “nimble clearing system”.

The EMIR regulations came into force in February 2013 to fulfil the European Union’s G20 commitment to reform over the counter derivatives and to significantly reduce risk in the markets. Through the trading already completed in Oslo, Kindler expects Norway’s “nimble market” will “continue one way or another” despite additions to EMIR and local regulations on the cards.

The majority of Nordic countries will be looking towards July 2015 and the launch of the first wave of TARGET2-Securities (T2S). When the application for T2S first opened the markets were gripped by the financial crisis and many Nordic countries, where the main currency is not the Euro, were reluctant to invest.

Birger Schmidt, chief commercial officer of VP Securities at the Copenhagen office, explains that: “At the beginning of talks for T2S it was assumed to be a mainly Euro project, not a common European structure.”

So far Denmark and Finland are preparing for T2S, with Denmark pegged to start in the third wave in 2016 and Finland in the fourth wave in 2017.

Operating in two currencies, Denmark is going to be the first non-Euro currency incorporated into T2S. To integrate both currencies into the system, the Danes will be joining it two stages: the first in 2016 with in order to deal with the Euro settlement, and then in 2018 with the Danish Krone.

“Sweden and Norway seem to have taken a ‘wait and see’ approach to T2S,” says Schmidt, “The financial crisis is not that bad anymore and banks are now gaining momentum again. I do feel that there will be pressure from the rest of the market, once integrated into T2S, for Sweden and Norway to join.”

“There is a risk,” he added, “that local settlement will move to T2S,” that will make trading in the local currency far more difficult.

While Sweden and Norway watch as the T2S builds strength, Schmidt believes Denmark has an advantage in being the first Nordic country to join: “Denmark has a large issuer market in mortgage and investment funds. They see a large benefit in T2S, from a capital market point of view, which will streamline business and make European wide distribution more efficient.”

He added that Denmark’s motivation to sign on to T2S stemmed from political views, where “Denmark would like to act as integrated as possible with Europe.”

Although not all of the Nordics have made their decisions on T2S, Göran Fors, senior vice president of asset servicing and transaction banking at SEB in Stockholm, thinks that there is “every chance that by 2020, the whole of the Nordics will be part of T2S.” **AST**

UCITS episode V: the depository strikes back

Sébastien Danloy of RBC Investor & Treasury Services gives the low-down on the latest version of UCITS

MARK DUGDALE REPORTS

With UCITS V receiving approval in the European Parliament shortly before the elections, what do those on the servicing side need to be aware of?

Receiving approval from the European Parliament brings more clarity for service providers over some of the details of the directive, although other areas still need to be finalised and there is still work to be done.

UCITS V is expected to bring further improvements to the protection of UCITS investors, which is welcomed by service providers. Similar to the Alternative Investment Fund Managers' Directive (AIFMD), UCITS V primarily establishes a clear "duty of care" framework for depositories, including strengthening liability and the restitution of lost assets held in custody, more cash management oversight of the UCITS fund and more stringent conditions for depository delegation to cover safe-keeping functions only, and not include general oversight and cash management functions.

Service providers will need to consider how they can efficiently and effectively implement the UCITS V requirements in order to keep the associated costs under control, and the similarities with AIFMD will mean some mutualisation of systems and therefore cost.

Service providers, though, must be wary not to view UCITS V as simply an extension of AIFMD and will need to bear in mind those areas where the two directives differ, such as in the circumstances for the re-use of assets, or on how investors are provided with information on delegated safekeeping functions by the depository.

The approval from the EU Parliament means that the implementation phase of the directive should now be considered in earnest and as such it is one of the major priorities for service providers for the months ahead. This will involve scoping out the requirements and operational and IT developments required and how, for example, increased depository liability obligations may affect existing sub-custody networks. Equally important will be supporting and informing clients of what the directive means for them.

What does UCITS V enact in terms of depository liability?

The liability of depositories is set to be hardened, with responsibility for any loss of UCITS assets held "in custody", corresponding with the liability provisions under AIFMD. In particular, it is expected that under limited exclusion, if a depository cannot prove that a loss of assets occurred due to an external event "beyond reasonable control", and the consequences of which could not have been avoided, then they would be obliged to replace the lost assets.

Depositories will also be liable to the UCITS fund and its investors for any other losses incurred by them through negligence by the depository or an intentional failure to properly carry out its obligations.

In addition, UCITS V is expected to confirm a depository's liability for losses caused by its appointed sub-custodians or safekeeping agents, unless they are able to prove that the loss occurred through an external event beyond reasonable control and the consequences of which could not have been avoided (referred to as "limited exclusion"). Under UCITS V, depositories would not be able to transfer nor discharge the liability for losses of financial assets, even if they can demonstrate that they have "exercised all due skill, care and diligence in the selection and the appointment of its delegates."

Why were additional depository rules required when AIFMD deals so much with that area?

AIFMD and UCITS are of course two different legal frameworks dealing with two different fund ranges, so the provisions of the one will not automatically inform the content of the other.

In terms of the additional responsibility, AIFMD and UCITS concern generally different investor groups and profiles, even if the aims of more investor protection and greater clarity of responsibilities are common between the two. Funds managed under AIFMD tend to be reserved for professional investors, while UCITS products are widely distributed to retail investors. As a result, in some circumstances and in order to facilitate protection and restitution of retail investors' assets, the depository rules under UCITS V go further than those under AIFMD.

For example, under UCITS V depositories would be prevented from re-using assets under management for their own benefit, unlike under AIFMD, which does permit the re-use of assets on condition that the prior consent of the fund's manager has been obtained.

How will UCITS V affect the brand of the fund structure?

UCITS is an established and trusted brand that has been built up over more than 25 years and it will continue to evolve to remain competitive with further additions to the directive—there is already talk of UCITS VI.

Potential unintended effects on the brand of some of UCITS V's requirements should be considered such as how additional liability requirements may affect depository costs, or how the increased obligations around delegation may affect sub-custody networks and the impact on choice.

That said, it is unlikely that UCITS V will damage the brand in the eyes of the end investors or the fund selectors, and managers now distributing UCITS products, not only in Europe but also Asia, the Middle East and Latin America. Indeed, the focus on increasing transparency and investor protection should serve to strengthen the brand's status as the gold standard of regulated fund vehicles. **AST**

Sébastien Danloy
Managing director
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Santander's siesta

Banco Santander's sale of 50 percent of custody assets to Warburg Pincus shows growth in Spanish and Latin American markets and global ambitions

CATHERINE VAN DE STOUWE REPORTS

With the Spanish market now under recovery, a spokesperson for Banco Santander explains that the company is in a position, with " a growing available wallet," to expand. Last year, the Santander group registered an increase of 90 percent in attributable profit from the previous year. Their unique access to the Latin American market is showing "favourable growth prospects" with a "stable regulatory environment" to capture market share.

The bank recently sold 50 percent of its custody business in an alliance with Warburg Pincus in order to have joint control in partnering with the investors to support growth and development of a franchise that has strong regional capabilities.

With markets established in Spain, Mexico and Brazil, it is hoped that the alliance will give Banco Santander access to global growth with Warburg Pincus' Singapore based affiliate, Temasek, and FINESP Holdings II B.V.

Banco Santander's total custody operations for the Spanish and Latin American markets has an approximate value of €975 million. Once the alliance is closed in Q4 2014 it is predicted to generate net capital of €410 million.

With the capital from the 50 percent stake and the new alliance, Banco Santander will be able to invest in new products and services in its technology platforms. The spokesperson elaborates, "Santander has been performing significant investments in IT and Ops to meet increasing product complexity and regulatory challenges in our custody services. The new company will allow us to increase our capacity to adapt our infrastructure and products to meet clients' needs."

By increasing the developments of new and existing products, the company has stated that it will focus on improving the experience for customers through "integrated global management and [a] greater focus and specialisation through front-to-back organisational structure, having exclusively dedicated support areas to the business."

Currently, Banco Santander offer a "full fledge service proposal" to develop their fund administration, depository and custody businesses. Javier Marín, CEO of Banco Santander, says the alliance will "significantly increase" these services. The spokesperson added: "The development of an integrated business will allow us to accelerate business build up and tackle new clients segments."

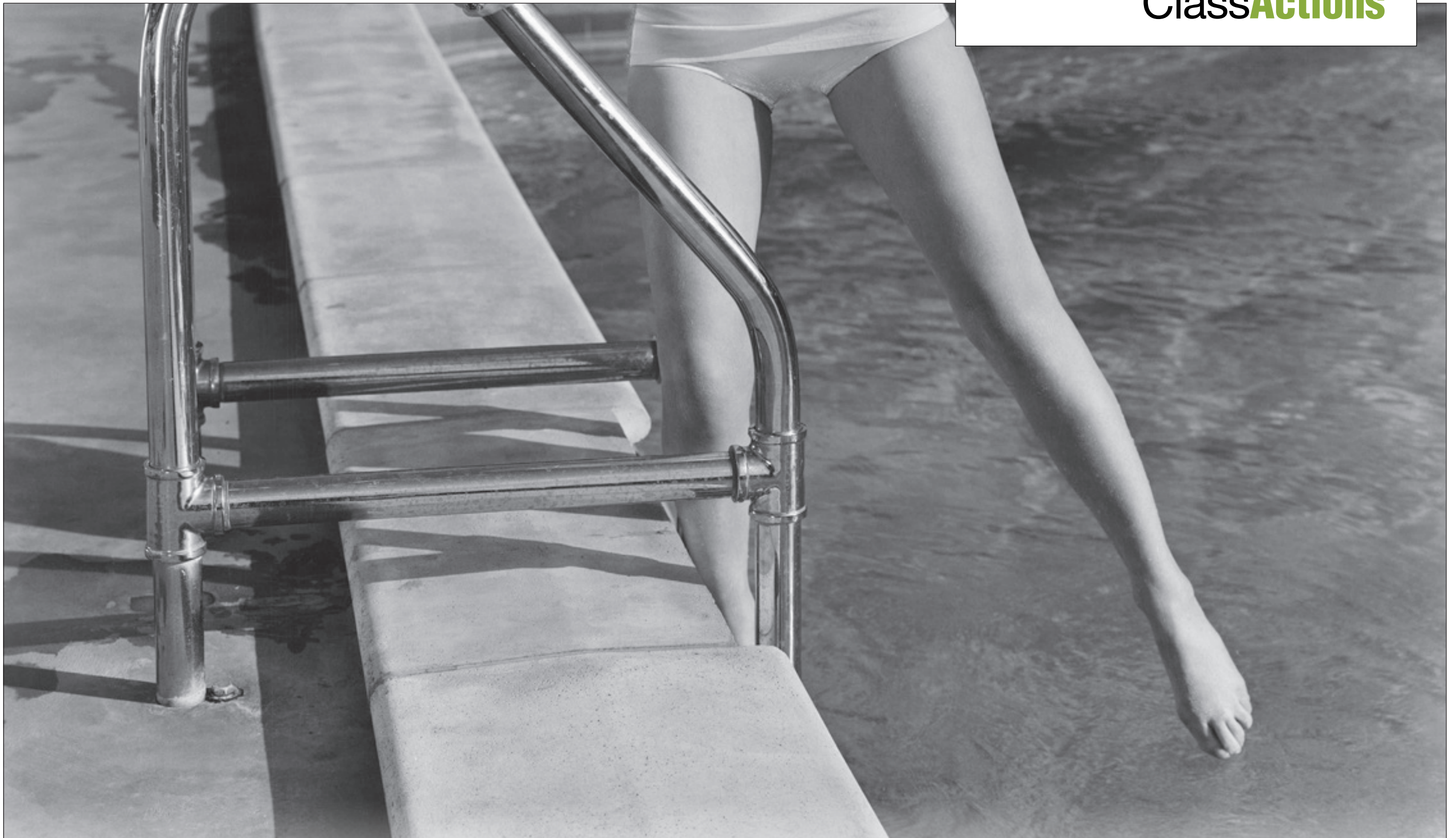
A specialist in private equity, Warburg Pincus has more than $37 billion in assets under management with an active portfolio in over 120 companies worldwide. Banco Santander stated that choosing Warburg Pincus for the alliance was an easy decision as they had previously partnered with them to build best-in-class businesses with SCUSA, the group's consumer finance unit in the US, and in Santander Asset.

Temasek has been part of the Warburg Pincus group since 1974 and has an asset portfolio of $215 billion as of March 2013. The majority (71 percent) of the portfolio is in Asian markets, with 25 percent in the mature economies of North America, Europe, Australia and New Zealand, and 2 percent in Latin America.

In a statement on their website, Temasek said they were "pleased to confirm the announcement". The alliance will give them access to growth in the Americas and will allow Banco Santander to tap into Temasek's 11 global offices across Asia, North America, Europe, Australia and New Zealand.

Daniel Zilberman, Warburg Pincus' magaing director and head of its European financial services group, said that he was "pleased" to be able to "enhance [Banco Santander's] focus on providing best-in-class products and services to its customers in Spain and Latin America."

"The custody market benefits from long term structural growth and we look forward to supporting management in accelerating the company's growth and service offering." **AST**



In, out, opt it all about

Tania Dupoy assesses class actions in the Nordic region

Goal Group's analysis of its class actions knowledge base predicts that by 2020 annual securities class action settlements in Europe will reach $3.29 billion. Class action legislation in Nordic countries has progressed since the late 1980s when Per Henrik Lindblom published a major book, Class Actions in Consumer Objectives, on class actions in which he stated that there were "no decisive barriers to a Swedish adoption".

Its publication is said to have prompted the first policy meeting for all Nordic countries in which it was generally agreed to pursue class action legislation. In January 2003, Sweden introduced securities class actions legislation and Finnish, Norwegian and Danish class action legislation took effect in 2008.

Nordic lawmakers have typically been interested in legislative behaviour in other Nordic countries, but where Sweden, Norway and Denmark have taken their lead from the US by introducing similar style class actions, Finland has been more cautious. Sweden, Norway and Denmark do not limit the scope of their class actions and therefore permit securities class actions with no attorney limits.

Finland, however, does not allow for securities class actions and limits the scope of its legislation to consumer protection and environmental cases brought by a Consumer Ombudsman. It is believed that Finland differs because laws are prepared in ministries where working groups discuss the political details before a formal law proposal is submitted to the parliament for review.

When discussing the political details, empirical data from other countries was not consulted but the theoretical speculations and submissions from selected interest groups were. This influenced the areas that class actions would be extended to in Finland, and ignored the example of Sweden, which, at that time, had not processed any environmental class actions.

With such a long standing history of securities class actions, it is quite possible that Sweden could become a centre for the prosecution of securities class action cases in the Nordic region. However, there are some limitations at present as Sweden 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 the 'opt-in' mechanism, may deter the use of class actions. The situation is similar in Norway and Denmark, but Norway and Denmark have an 'opt-out' policy available in the case of small claims.

In recent years, responsibility for class action identification and participation has increasingly been written into the contracts of fund managers and custodians that have a fiduciary duty to ensure that their clients participate in securities class actions that aim to recoup some of their investment losses. Awareness of class action legislation globally, as well as in the Nordics, is also important so as not to miss out on any rightful reimbursement from investments in non-domiciled stock.

A Goal Group study forecasts that by the end of the decade, $2.02 billion of investors' rightful returns will be left unclaimed each year. Therefore, while it has been suggested that adopting an 'opt-out' provision in general could encourage increased uptake of class actions, there is no excuse for failing to monitor and participate in class actions internationally as there are a number of services commercially available that minimise the complexity and cost of this activity. **AST**

Tania Dupoy
Sales and relationship manager
Goal Group

Industry appointments

In a bid to strengthen its presence in the UK, Societe Generale Securities Services (SGSS) has appointed **Bertrand Blanchard** and **Guillaume Lenoir**.

Blanchard is moving from SGSS's Johannesburg branch, where he was managing director, to London to become SGSS's country manager for the UK. Blanchard will report to Bruno Prigent, global head of SGSS.

Joining SGSS from EuroCCP, Lenoir has experience in strategic change programmes and projects and will be the chief of strategic initiatives implementation. Lenoir will join Blanchard in London and report to him.

Prigent says Blanchard and Lenoir are joining at "an important time for the UK."

He adds: "SGSS plans to be a key partner to its clients, providing them with operational efficiencies as well as significant new business opportunities as the industry continues to evolve in response to regulatory and structural changes."

Kurt Woetzel, head of global collateral services, has become president of BNY Mellon's markets group and will report to Arledge.

Arledge will to report to BNY Mellon chairman and CEO Gerald Hassell, as will Brian Shea, the president of investment services, who will become vice chairman and CEO of investment services.

Shea will also continue in his role as head of client service delivery and client technology solutions.

Hasell said: "This strategic realignment is about delivering to our clients the most innovative services and solutions available in the market, effectively and efficiently."

Michael Newton has been named the new managing director of State Street Jersey.

With 20 years of finance industry experience, Newton will be joining State Street from EQT Funds Management in Guernsey where he has been managing director since 2009.

At EQT, he gained experience directing both offshore and onshore funds, which had a combined asset value of approximately €20 billion.

Phil McGowan, head of Europe, Middle East and Africa private equity and real estate fund services, said Newton's "extensive experience" will make him a "strong new addition to the team and with the skills to lead the fund administration operation at a time of significant business growth".

The Royal Bank of Scotland has hired **Gudrun Göbel** as COO of RBS Luxembourg.

Göbel will be responsible for the firm's risk and operational oversight teams as well as its standalone fund governance, risk and compliance monitoring services.

She previously served as COO for Société Générale's fund distribution subsidiary European Fund Services in Luxembourg.

Göbel's appointment follows a number of hires in the management team of RBS Luxembourg, including **Slim Hamrouni**, who is the head of risk and compliance, and Ross Thomson, the head of central administration distribution oversight.

Revel Wood, CEO of RBS Luxembourg, said: "We are delighted to welcome Gudrun to the management team. She brings with her a wealth of distribution experience and knowledge of the latest regulatory developments for the cross-border funds' industry."

Göbel commented on the new role: "It is an exciting moment to be joining the management team at a time that RBS Luxembourg has been hiring senior industry professionals."

Allfunds Bank UK has appointed **Chetan Modi** as a senior fund analyst.

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Modi previously served as a Morningstar OBSR researcher where he focused on US, UK and global emerging markets equity funds.

The hire is a part of growth for the company. Anais Gfeller, Mark Hinton and Will Jackson joined the firm over the past 24 months and Manuel Yutaro Rubio also transferred from the Madrid office. **AST**