

# Agent Banks in Major Markets



# Maintaining standards

Changes continue but agent banks maintain service standards.

The markets for subcustody services have continued their inexorable evolution over the last year. T2S in Europe has now been live for a year and six more markets are in process of going-live. To date the impact has been modest but that will likely change in the months ahead. Some providers are cutting back activities even as others are expanding. Strategies reflect the particular circumstances of the institutions involved, but some client impact is inevitable. Regulatory pressure remains intense on all types of asset manager and every intermediary in the trading and post-trade environments. Meanwhile the overall business climate has been unexciting in terms of market performance with the MSCI World Index down around 2% in the year to June 30, 2016. Mutual fund and pension fund assets have grown, but even so global custodians' clients are not having an easy time of it and broker dealers are finding it no easier either.

Against a background of cost and regulatory pressures, custodians and brokers must therefore be delighted that at least the subcustodian part of the process is going relatively well. Based on responses to the Survey in 2016, average scores across all respondents and all markets are marginally ahead of the position in 2015. Client comments remain for the most part very complimentary about personnel, services and commitment of their agent banks. While some banks attract criticism from a few clients about specific incidents or shortcomings, the overall picture remains one of generally high levels of satisfaction with services being delivered.

The number of responses received for each market is illustrated by Table 1. This shows the proportion of responses, based on weight of respondent, seen for each country. Unsurprisingly, and consistent with prior years, ISCDs attract the largest number of responses by some margin. Based on market capitalisation, investor interest and transaction levels, the position of the US as the second most evaluated market should not be a surprise. However in previous years the number of responses for the US has not been as high as other countries, due not least to the fact that many respondents are headquartered in the US. The increase in respondents this year may well reflect increased competition, but that has

not yet presaged materially higher scores. The overall score across all categories was down in the US and was among the very weakest of any country. In contrast scores in Japan remain buoyant and the market was the only country to see an average in excess of 6.0.

## Service excellence

The single highest scoring category within the Survey was Client Service closely followed by Relationship Management. Combined, these areas remain the bedrock of the ability of subcustodians to maintain positive client perceptions. In terms of client service the most commonly mentioned positive feature is the responsiveness of staff. Even where as one client put it “we are very impressed by the knowledge and experience of operational personnel” it is still the “swiftness of their responses” that clearly marks out one major provider in the minds of a key client. In terms of Relationship Management the key is the ability to demonstrate a good understanding of clients' business and to adapt services to meet the priorities of clients. Those needs may be specific to the client or more general across many. What is clear is that to get good scores in this key service area, providers must engage effectively and understand the kinds of cost, client and regulatory pressures to which their own clients are subject.

## Seamless operation

It remains the case that not all market infrastructures are equally straightforward. Even some of the largest countries have what may appear to outsiders to be anachronistic and archaic ways of operating. Even so the trend is steadily towards simplification based around standardisation and automation. In such an environment agent banks are expected to handle the basic operations of settlement and asset servicing in a seamless manner, while at the same time being able to quickly resolve any issues that may arise due to errors or non-standard needs.

In general Settlement processes lend themselves well to seamless processing in most major markets. This is reflected in the scores achieved across the Survey, which were the second highest recorded. It is particularly important for banks offering

services in different markets and seeking to make them equally effective. Where the performance matches the rhetoric, clients are highly complimentary. Where it does not, it is noticed and may be made more visible by virtue of being subjected to direct comparison.

Asset Servicing remains more complex than Settlement. Scores in general remain around 0.15 points lower with Tax Reclaims remaining weakest. Of course the level of reclaim activity is also reducing as more countries seek to make their market more attractive by simplifying processes. Again however, progress in one country simply serves to highlight the problems in others where tax reclaims remain a requirement.

**Value is good**

Overall clients remain very happy with the level of commitment shown by providers. However that is not true for all and recent changes have meant that clients are much more sensitive in this area than they may have been in the past. Providers are themselves adjusting to new local regulation and capital requirements, but for the most part the process of client ‘shake-out’ is complete.

Overall the Survey suggests that clients remain very satisfied with services received. This is testimony to the efforts of the many committed professionals involved on both sides of the business. ●

**Methodology**

The Survey is designed to elicit the views and perceptions of cross-border investors in different major markets around the world. To this end we invite network managers and operations executives from leading global custodians, correspondent banks, brokers and infrastructure providers to evaluate the performance of their subcustodian agents in various markets. Evaluations incorporate responses to 50 questions divided into ten categories of service. We use a seven-point scoring scale (7.0 being Excellent and 1.0 being Unacceptable). Responses are weighted, as are questions, based on scale of business, experience and relative importance. The weighting system also allows us to deal fairly with anomalous responses, rather than simply excluding them. Providers are also invited to explain their market and services through completion of a 12 question questionnaire. This is aimed at allowing us to better understand market and provider changes that might impact on results.

In 2016, in response to feedback from respondents, we have made some slight amendments in the way in which markets are presented. We have determined that it is appropriate to present Australia and New Zealand together as a single unit as well as the UK and Ireland. Further we have a single write-up for the four major Nordic markets as well as one write-up for the Euronext markets (Belgium, France, Holland and Portugal). In these four cases many providers are common to all countries and many respondents access them within a single agreement and operational structure. While we accept that these situations do not apply to all, our view is that a new approach is now required. Meanwhile we are keeping the evolution of markets under T2S under review.

As previously providers merit inclusion based on their position in the market(s) and response numbers and the aggregate weight of responses received. Where relevant we have sought to incorporate client comments into the write-ups. This is intended to provide illustrations of changes in perception as reflected by scores. In all cases comments are taken directly from the questionnaires submitted by clients. Finally, we continue to present the scores for each provider in each of six major categories (Settlement, Asset Servicing, Relationship Management & Client Service, Ancillary Services, Technology and Value Delivered). These six categories are in some cases reflective of a single category in the questionnaire. In other cases they are a combination of categories. While this makes the presentation less granular it does allow focus on core areas of custody service provision in terms of assessment of perception. This is relevant for both providers and users of the Survey results.

Providers operating in different markets face similar but unique challenges and opportunities. Providers in the same market may have client lists dominated by different types and sizes of clients. We therefore still believe it would be misleading to present a total score for each provider as this would attract natural, but misguided, attention and focus. We have however provided scores for providers in each individual country, even where the write-ups have been consolidated.

The “Hallmark of Excellence” programme which began last year was met with strong support from many providers. The digital accreditation of outperformance, whether based on global scores, individual market scores or scores achieved in the six categories has served a useful purpose for many institutions in promoting their credentials. Agent banks have once again been made aware of their eligibility for these awards. We hope that all agent banks are sufficiently committed to the business to promote their successes through this new offering.

As always, we want to express our gratitude, both on our own behalf and that of the agent banks themselves, to all those many individuals around the world for the efforts they have made in completing the questionnaires. Many were guests at our London dinner in March and we look forward to welcoming them again to the event in early 2017.

**Table 1: Responses**

Country	% of total weight
ICSD	12.74
USA	5.36
Japan	5.11
Hong Kong	4.83
Italy	4.72
Spain	4.68
Switzerland	4.32
France	3.92
Germany	3.86
Canada	3.73
United Kingdom	3.71
Belgium	3.63
Singapore	3.40
Australia	3.33
Denmark	3.15
Austria	3.11
Norway	3.03
Netherlands	2.97
Finland	2.78
Sweden	2.73
Portugal	2.71
Greece	2.65
South Africa	2.59
Korea	2.07
Israel	1.94
New Zealand	1.85
Ireland	1.08



## Australia & New Zealand

The Australian equity market dominates the region with a market capitalisation more than fifteen times as big as New Zealand. Similar statistics are reflected in market listings, transactions and turnover. Assets held by subcustodians in Australia continued to grow in the past year, though figures from the Australian Custodial Services Association (ACSA) suggest that growth has moderated. The big operational challenge in 2016 was the move to T+2 settlement which went live in March. So far everything seems to have worked as well here as in other global markets. One of the more interesting future developments may be in the use of blockchain technology in the replacement for the CHES system. That remains some way off but suggests that Australia intends to be in the forefront in the use of this technology in its securities markets.

### BNP Paribas Securities Services Australia Branch

ACSA data shows that assets held by BNP Paribas are tiny in comparison with the main participants, despite obtaining a significant number of responses to the Survey. As a relatively new entrant the position is not surprising, though the reported decline in assets over the second half of 2015 must be disappointing. Domestic business has continued to grow (BNP Paribas now ranks 3rd in the market). Certainly clients remain very satisfied based on scores. Comments confirm that BNP Paribas delivers high quality client service here as in other countries. Technology is viewed very positively and a number of clients commented favourably on the Neolink on-line capability with one describing it as “meeting all of our reporting needs.”

### Citi

With around AUD\$100 billion of subcustody assets, Citi is an important participant in the Australian market. The bank maintains a solid client base, reflected in the number and scale

of responses. Scores however continue to disappoint. 2016 saw weaker results in all key categories of service and they fell below the default 5.0 (Good) level in Ancillary Services. The bank is regarded as having good settlement capabilities and these together with what one client describes as “an excellent on-line portal” are the major areas of strength. The bank is praised for its deadlines of corporate actions but criticised for some operational inflexibility. In general there are few comments to help explain what are among the weakest scores in the Survey.

### HSBC

In terms of business in Australia and New Zealand, HSBC is in a league of its own. Around 70% of all cross-border owned Australian assets are held by HSBC. Its client list numbers many of the world’s largest custodian institutions. Its business continued to grow in 2015 and in the second half of the year its growth outpaced that of the market as a whole. Its dominance in New Zealand is arguably even greater, though there are no official statistics available. In terms of client perception, scores overall were similar to 2015. The level is solid but not exceptional. One area of improvement in terms of scores was Asset Servicing and particularly corporate actions. One client noted that, “HSBC provides a great deal of value in the CA arena, constantly a step ahead of complicated events.” Another praised the help they received from HSBC in handling complex corporate actions. Overall HSBC seems set to remain the dominant player in the markets.

### J.P. Morgan Chase Bank

J.P. Morgan scores fell further behind the market averages, after a lacklustre performance in 2015. They continue to service a relatively small number of larger clients. They received some criticism for being somewhat inflexible and not appearing to fully understand client needs. Given the nature of the clients being serviced this should represent a concern. In spite of this they remain clearly the second largest subcustodian in the market, but a very long way behind HSBC. The small number of responses does make scores generally more volatile, but nonetheless J.P. Morgan appears to be doing nothing to suggest that it will seriously challenge the market leader any time soon.

### National Australia Bank

Despite a sharp fall in assets in custody in the second half of 2015, NAB remains just the market leader in terms of domestic custody in Australia. However it appears that NAB is in danger of becoming less important in its home markets than a number of foreign bank challengers. Certainly scores for subcustody services are well down compared with 2015. They are also some way behind major competitors which will not make it easy to reverse the negative trends in business. Comments however contrast with the weaker scores in a number of areas. Clients generally praise the bank for providing smooth, highly automated processing solutions. One praises the bank’s commitment. Clearly with some clients happy to provide positive referral comments, NAB can undoubtedly recover, but the next twelve months may well be pivotal. ●



# Austria

In and of itself the Austrian market is very small. With capitalisation of around \$100 billion it is much more comparable to the markets emerging in central Europe following the fall of communism. However from a custodian perspective that is its key advantage. Vienna is the hub from which a number of banks operate in a variety of central European markets. Austria is a wealthy country with a relatively large domestic custody business. These two activities support much of the investment that banks need to make and indirectly enables the Austrian subcustody market to enjoy the benefit of significant competition. Based on overall scores, Austria is in the top quartile of countries covered in the Survey.

## BNP Paribas Securities Services SCA, Frankfurt Branch

BNP Paribas has a modest level of business in Austria. However its scores were once again excellent, from what is a client base of which mixes some larger and relatively small institutions. BNP Paribas scores were well up on 2015 levels and well ahead of all rivals in the market. To the extent that any rivals slip up in meeting client requirements, it is clear that BNP Paribas is well placed to pick up the opportunities.

## Citi

Citi scores reflected some good progress in a number of different areas, notably Client Service and Asset Servicing. Scores were generally up by around 0.25 points and even allowing for a relatively small number of responses that is encouraging. While the average remained below 5.50, there were clear signs of progress in terms of some client responses. Citi's ability to maintain good quality service is important to ensure the overall network maintains credibility.

## Deutsche Bank AG Vienna Branch

Deutsche Bank capability is built around Client Service. Comments to note included, "Deutsche customer service is second to none,"

and "the Deutsche team are very knowledgeable and pleasant to work with." Relationship Management scores were almost 0.50 points higher than in 2015. In core service aspects however scores are mixed with clients marking down Ancillary Services and to a lesser extent Asset Servicing. Given the demanding nature of some clients the overall scores are generally acceptable. However they are not distinctive in a competitive market.

## Erste Group Bank AG

Scores for Technology were down compared with a year ago. Generally results were not as strong as in 2015 but remain competitive. Erste has a solid market share as well as a good domestic business on which to build. It also has as one client notes, "excellent market knowledge about the Eastern European Markets." While not directly related to its Austrian business, this is nonetheless a clear strength. Operationally the main strength is in Settlement where a respondent commented that, "Erste provide a good and efficient settlement service." The bank also scored well in Value Delivered.

## Oesterreichische Kontrollbank

OeKB is a specialist provider with a small number of clients with specific requirements, not necessarily covering all elements of service making scores volatile. One noted that OeKB has, "very friendly staff, excellent knowledge." However another was concerned about, "response time for inquiries" and generally scores were disappointing. It will take some improvements for OeKB to become a broad based competitor.

## Raiffeisen Bank International

RBI scored second best in the market and ahead of its domestic competition. Clients commented favourably on, "qualified relationship managers; fast responses; variety of services," and "a strong, efficient client service organisation". The extent of the RBI presence in central Europe was acknowledged by one respondent in terms of the "RBI commitment to the securities services business generally." As well as performing well in Client Service, RBI scores for Asset Servicing stood out. As one client highlighted, "RBI is very proactive when it comes to corporate actions and notifications. The deadlines they offer are the best in the market." With a strong domestic franchise and an extensive capability in the region RBI appears well positioned to grow its business further in the next twelve months.

## UniCredit Bank Austria

UniCredit remains the leader in the market based on responses. However, scores are lower and some clients are beginning to worry about the level of commitment. One noted, "the loss of several people to RZB or elsewhere, even if our RM remains capable." Core operations scores remain solid with one client commenting that, "UniCredit's SWIFT capabilities especially for Corporate Action messaging is some of the most flexible and robust of all providers." While another noted "Client Servicing in Taxation related matters is sometimes weak" overall scores are sound enough. Whether that will arrest the apparent sense of drift however is not clear. ●



## Canada

The market capitalisation of the Toronto Stock Exchange is roughly one tenth that of the NYSE and one quarter as big as NASDAQ in North America. While activity remains robust and independence is assured, the market is still heavily influenced by what goes on south of the border. In addition many US based clients make use of infrastructure links between the two markets to provide their own operations and custody capabilities. As was noted in last year's survey these dependencies and links do not always work in the best interest of clients of Canadian subcustodians and this in turn can have a knock on effect in terms of scores. Results for individual providers can look worse in a global context because of the specifics of the market as a whole.

In fact scores in 2016 for Canada were marginally higher than a year ago. However they remain in the bottom quartile of all markets. With an average of below 5.50, they are some way behind other countries with comparable size of assets and number of providers. The market has continued to consolidate, with the two market players of consequence battling it out, in both the domestic and cross-border business, to pick up additional wins as weaker competitors fall by the wayside. While that may be good for the profit margins of the key players it does nothing to encourage broader competition leaving an effective duopoly that some may feel does not serve the best interests of the market.

### CIBC Mellon

CIBC Mellon enjoyed a year of very solid success in terms of business wins and retention. Overall custody market activity has been quite significant in the last year and CIBC Mellon has added almost CAD\$ 60 billion of new assets as well as retaining an even larger figure of current business that its clients had put out to tender. Its success in maintaining scores during a period of significant growth is a testimony both to the strength of its existing relationships as well as the efforts

of its employees. A number of clients commented favourably about individual client service personnel. As one noted, "CIBC Mellon is an efficient organisation, we have the feeling that issues can be resolved quickly with them." Despite occasional issues in elements of handling physical securities, CIBC Mellon scored best on Settlements with an average score of 5.65. This was higher than scores for Client Service and Relationship Management. As far as the latter is concerned CIBC personnel are seen as both knowledgeable and responsive to client questions. However there was a concern noted by one respondent concerning provision of relevant documentation on some issues. In common with many providers the lowest scores were seen in Ancillary Services. Cash Management, with a score of 5.16 was the lowest scoring of the ten areas covered. One client commented in terms of weaknesses that CIBC Mellon needed to improve its offer in cash management services. This was not uncommon within the Survey but shows that CIBC Mellon is in-line with others rather than ahead. In terms of overall strengths it was again personnel related matters that were to the fore. Attentiveness to clients evolving requirements was mentioned by one satisfied client, while another considered the bank communicated very effectively. It is clear from business progress that CIBC Mellon is well regarded. Maintaining standards of service while continuing to grow are its principal challenge in the year ahead.

### RBC Investor & Treasury Services

RBC I&TS is by some margin the largest subcustodian in Canada. It is also regarded as the only purely Canadian bank in the agent bank business. 2015 saw a continuation of the improving trend in scores noted a year earlier. The overall score was up by 0.10 points compared with a year ago. While smaller than the gain seen between 2014 and 2015, it still represents a solid reflection of progress for a bank that is dominant in its market and, as a result, has to service a very broad array of different clients, whether by geography, type or size. As has historically been the case, RBC I&TS scores well for Relationship Management and Client Service. Respondent comments included, "RBC keeps a sustainable relationship and does service calls to make sure all is fine" and "RBC relationship management is really close to the client." The bank has also managed to maintain turnover at reasonable levels and as a very satisfied client commented, "we have had the same RM for years and excellent service. Always helpful."

Operationally RBC I&TS scored highly in Settlement, though market efficiencies probably assist in creating a favourable impression in the minds of clients. Even so RBC I&TS scores are noticeably better than its principal rival in this area. Some concerns were expressed over deadlines for Corporate Actions, though a couple of clients commented that improvements had been seen recently. The only area where scores and comments were less favourable than the competition was in Value Delivered. A couple of clients commented that while RBC I&TS performed well it was "expensive" and "fees are out of line." In general however the bank now appears to have pretty much fully recovered from its relative slump in 2014. ●



## Euronext countries

Euronext was formed in 2000 representing the merger of the Amsterdam Stock Exchange, Brussels Stock Exchange, and Paris Bourse, in order to take advantage of the harmonisation of the financial markets of the European Union. In 2002 the group merged with the Portuguese stock exchange Bolsa de Valores de Lisboa e Porto (BVL), renamed Euronext Lisbon. Since that time Euronext has offered a unified market infrastructure and various subcustodians have sought to provide a single capability covering custody in each of the four countries. At the same time, other subcustodians continued to provide access for clients to securities clearing, settlement and custody in a subset of the countries operated within Euronext. As is noted in the Methodology section of the Survey, *Global Custodian* has determined that it is appropriate to provide individual provider scores for each country but a unified write-up of the different providers.

Euronext has a market capitalisation of more than \$3 billion and is one of the largest stock markets in the world. Performance has been relatively lacklustre in 2016 in all four countries. Gains of between 8 and 10% recorded in leading market indexes in calendar 2015 have been largely wiped out in the first half of 2016. While the markets continue to attract new listings, these too have been relatively subdued. The French market is the dominant one of the four in terms of market capitalisation and transactions. Obviously there are benefits of scale attached to bringing the markets together. However translating these into a single product offering is far from straightforward and competition both within Europe and globally is intense.

Having the same infrastructure and common subcustodians should result in market recording generally similar scores. In some cases this is indeed the outcome; respondents offering the same score in all countries for a single provider. However that is not always the case, and of course there are situations where respondents use different agent banks in one or more of the four countries. As a result scores across all four countries

are not the same by some margin. Belgium and France both improved compared to 2015 and saw very close scores. Both Netherlands and Portugal also saw gains in scores but still lag some way behind the other two countries.

### ABN Amro Clearing Bank

ABN offers a general clearing capability to clients. In this Survey however it only received responses in the Netherlands. This is historically its strongest area of activity in terms of client numbers. Even here however responses were quite limited and this tends to make scores more volatile. Even allowing for this scores were disappointing with scores in Settlement, which should be a key strength failing to achieve satisfactory levels. One client noted a weakness in custody systems, while another felt ABN were unable to meet their demands for new capabilities. Overall it would appear that ABN is vulnerable to competition even in its core market.

### BNP Paribas Securities Services Paris

BNP Paribas is by some margin the most successful of the agent banks offering service in all four Euronext countries. In all four countries it accounted for more than 40% of all responses by weight, while in France and Portugal it accounted for more than half. Not only is BNP Paribas the dominant provider based on response numbers it also has the highest and most consistent scores across all providers who were rated in all four countries. Scores were generally higher in all four countries. The gains were however particularly noticeable in Portugal where scores were roughly 0.33 points better than in 2015. Here Relationship Management and Client Service is a key strength. Client comments were very positive and highlighted the effective flow of communication around day-to-day issues as well as the overall understanding of client business needs. As one client noted about Portugal specifically, “we benefit from a fully dedicated and responsive RM team, at all levels, with both proactivity and responsiveness.” Obviously France is a market for which BNP Paribas receives responses from clients that do not use it throughout the Euronext countries. Gains in scores in France were modest compared with those seen in Portugal. In addition the market is more intensely competitive. As a result BNP Paribas ranked only third best of all providers, though still just ahead of the country average. Also some weaknesses were noted by clients around corporate actions processing and the efficiency of fee calculation and billing. While clearly in a strong position overall BNP Paribas cannot afford to become complacent.

### CACEIS

CACEIS only received sufficient responses to be rated in France. Even here its number was small relative to others and scores are volatile as a result. In a competitive market, scores are also relatively poor ranking fifth of the agent banks rated. While clients appreciate the overall commitment to and investment in securities servicing generally, they appear unconvinced concerning specific French subcustody services. One client noted that, “responses to inquiries are sometimes delayed and

often lack complete details.” Another was concerned about the inflexibility of CACEIS in terms of overdrafts. There seems little in the scores or comments to suggest that CACEIS will reverse a downward spiral in this business in the near future.

**Citi**

Citi performed quite strongly compared to 2015 in all four countries. Scores in France and Belgium were well up on a year ago, by more than 0.50 points in some markets and categories. As a result scores in France were at a stand out level and highly competitive, with an average of close to 6.0 (Very Good) overall. By contrast scores in Portugal saw three categories score better and three worse than a year ago. As a result overall ranking remained last in the market and the average was lower than Citi in France by fully 0.50 points. Clearly Citi has yet to convince all of its clients about its ability to deliver equally effectively in all four countries. A direct comparison is apparent in terms of tax. In France Citi was praised for its services by a number of clients, one of whom regarded it as a key strength of the capability commenting that, “tax services are very efficient.” By contrast in Portugal a client was moved to note that, “customer support in particular regarding tax is a weakness of service.” Another client complained of a lack of support related to the move by Portugal to T2S while a lack of proactivity was noted by another client. In Belgium and the Netherlands, scores were higher than 2015 and broadly competitive with others. Response rates were generally disappointing and it is not clear whether Citi is yet doing enough to reverse that trend.

**Deutsche Bank AG, Amsterdam Branch**

Deutsche Bank obtained a similar level of responses in each of the four countries. Its largest share was in the Netherlands, where it ranked second; a similar ranking was seen in France. In terms of scores the Netherlands posted a marked decline compared with a year ago. Even allowing for the fact that Deutsche has a relatively large number of demanding global custodians among its clients, the decline of around 0.33 points overall must be regarded as disappointing. One client noted that, “Deutsche Bank has experienced several system and reporting issues during the last 12 months.” Another felt that the move of tax operations to Dublin had caused issues with service. However the bank is also seen as having very competitive deadlines and in general scores, while lower than a year ago, remain at an acceptable level relative to key competitors. Deutsche has made clear in its 2020 strategy that securities servicing and transaction banking more broadly will be an area of further investment and commitment. The bank will no doubt be keen to grow its business across Europe and it appears to be well positioned as far as the Euronext markets are concerned.

**Euroclear Bank**

Euroclear Bank received enough responses for subcustody in Belgium to be included in the ratings this year. Its scores were generally very good and its scores were the highest seen by any provider in the market. The highest scores were seen

in Relationship Management and Client Service which is not surprising. Euroclear also scored well in Asset Servicing and its strength in clearing was also noted by one client. On-line reporting tools also appear to be well regarded. Overall an interesting and positive debut in this market.

**KBC Securities Services**

KBC remains an important custodian in the Belgian market. However for cross-border clients it does not seem to be performing as well as it does domestically. Scores were on average a little lower than in 2015, but the decline was not too large. On average scores, while only fourth highest in Belgium were at acceptable levels. There was certainly nothing in the comments or scores to suggest any major competitive weakness. As one client noted, “overall we receive very good quality service. The relationship is excellent. KBC was very helpful prior and since the implementation of T2S in Belgium.” However equally there is little in the scores to suggest any major competitive advantage.

**Millennium bcp**

Millennium is a provider of services to clients investing into Portugal. In that market it enjoyed a reasonable measure of support based on the number and weight of responses, as well as obtaining reasonable, if unspectacular scores. Improvements were seen in Relationship Management and Value Delivered. At the same time scores were lower in Asset Servicing. “Reliable support – Strong knowledge of their market – Availability of the RM” were noted by one client as key strengths of Millennium and while one client considered that more timely responses to queries would be desirable there were no serious concerns expressed.

**Societe Generale Securities Services**

SGSS appears to be delivering on previous promise. One client commented that, “the last year has seen a more focussed and responsive approach to the relationship which is appreciated.” SGSS achieved the highest scores of all providers in respect of France. Scores were generally higher than a year ago. Another client noted that, “responsiveness of Ops Team is impressive. Each query is appropriately managed and the commitment to help is visible.” This kind of comment and good scores can hopefully combine to help SGSS achieve its goal of, as one client put it “being a pioneer in the securities servicing business.” ●







## Germany

Germany is a key market for many investors. Despite being only the third largest market in Europe, it is home to many global multinationals that are attractive to investors. It also remains a relatively complex market in which to custody securities. Corporate Actions and Tax Reclaims both present challenges to agent banks and their clients. These factors allow for more differentiation in perception of performance than might be expected. As a whole market scores improved in 2016 compared with a year ago. The average score was up by 0.08 points, slightly better than the overall position. Germany ranked as the sixth highest overall score which is a credit to all the banks involved. Obviously everyone is anticipating the move into Target2-Securities implementation early in 2017. Given the size and complexity of the market this is an important part of the overall T2S implementation and one which naturally is absorbing considerable resources.

### BNP Paribas Securities Services SCA, Frankfurt Branch

BNP Paribas achieved the highest score of all providers in Germany in 2016. This continues their excellent showing in the market in recent years. The fact that they also accounted for over one-quarter of the weighted responses also reflects their commercial success. Settlement was where they achieved highest scores, with clients praising their proactiveness in dealing with issues. Client service and operations responsiveness was also commented on by one client who noted that, “responsiveness of Ops Team is impressive. Each query is appropriately managed and the commitment to help is visible.” Another simply noted the, “great service strength at BNP” as giving them an edge. As well as serving the largest clients to the highest standard, BNP Paribas also appears able to deliver excellence in service to its smaller customers as well.

### Citi

Citi continues to see responses decline in core markets such

as Germany. This makes scores more difficult to interpret and potentially more volatile. 2016 saw a marked decline in scores for Technology for example, though the position in other core areas remained at similar levels to 2015. Despite Relationship Management scores showing a small decline, one client commented favourably noting that, “our contacts are very prompt regarding queries we have.” One area which did attract some criticism from clients was Corporate Actions. One client saw this as the main weakness of the Citi service in Germany, while another complained that sometimes notifications were not necessarily complete when initially received. Overall Citi scores were undistinguished compared to others who already appear to have more business. That may present a challenge in the future.

### Commerzbank

2016 was a good year for Commerzbank in terms of its subcustody business in Germany. Though its share of responses was down from 2015 levels, scores were markedly improved. Relationship Management and Client Services cores were up by almost 0.50 points. One client mentioned ‘Custody Service’ as a key strength while another commented that, “responsiveness of our Commerzbank relationship manager has improved in the last year”. Scores for technology however were unchanged from a year ago and those of Asset Servicing showed the least improvement. In terms of the latter one client cited, “a failure to always adhere to swift standards in corporate actions message standards is a weakness.” Overall however a much improved performance that Commerzbank will seek to sustain in 2017.

### Deutsche Bank AG

Despite greater levels of competition Deutsche Bank remains by some way the largest agent bank in Germany. 2016 was not a vintage year in terms of performance based on scores received. Scores were lower in all six categories of service and though the declines were not large, they were set against a trend of better scores seen by many providers. Ancillary Services saw the weakest scores with one client noting that, “Deutsche offers no flexibility with late funding transfers.” The problem may not be of Deutsche’s making, but for many clients accommodation of exceptions is what marks out one provider from another.

By contrast Relationship Management and Client Service performed well. One client praised the bank for, “quick and efficient answers and the proactivity in case of unmatched trades”, while another noted the “strong availability of our relationship manager and very good market information.” Some lack of consistency was apparent with a smaller client wanting to see an improvement in proactivity. A European client experienced corporate actions notifications that were incomplete and that Deutsche needed to be reminded to provide additional information. These should not be seen as major concerns and given its strong market position and number of responses some areas where clients can see room for improvement are to be expected. ●



## Greece

It has been another challenging year for the Greek financial markets. Yet despite a stressful macro-economic environment, the news is not all bad for securities services providers. The recapitalisation of the four systemic banks was successfully completed. While restrictions are still in place for certain capital and securities transfers for domestic investors, the impact has been minimised for cross-border clients.

The Bank of Greece, the depository for Greek fixed income securities transitioned to the single central technical platform of T2S in June as part of the first wave migrators to the new system. In September 2015, the Cyprus Stock Exchange (CSE) and Athens Exchange signed an MOU regarding the clearing of CSE trades through ATHEXClear.

Despite the tribulations of the Greek economy, the overall level of service provision available to international investors is above the global average. In aggregate, the market exceeds the global average in all service areas. It is somewhat unfair that sub-custody providers in this market are hostage to the sovereign ratings that for the moment are a deterrent to the use of indigenous providers. Greek service providers confirm the adage that when the going gets tough, the tough get going.

### BNP Paribas Securities Services Athens

BNP Paribas' Athens operation administers some \$9.5 billion in assets as a sub-custodian for a wide range of client types. The bank has improved its scores in all service areas with four categories – Relationship Management, Client Service, Tax Reclaims and Technology – now recording above six (Very Good). It outperforms at both market and global level. At a country level, this is most pronounced in the areas of Client Service and Value Delivered. Scores are particularly high from broker-dealer clients, who are particularly appreciative of BNP Paribas' Income Collection and Tax Reclaim services. The crediting and reporting of income collected is praised by one satisfied client, who praises the bank's "state-of-the-art

reporting system." Another points to the responsiveness of relationship managers. "Very proactive and approachable in all aspects of our relationship," is their overall assessment.

### Citi

Citi has improved its scores in all areas bar relationship management and value and commitment, which are within a few basis points of last year's scores. It exceeds the market average in all areas with the exception of Client Service and Tax Reclaims, where again it falls a few basis points short. At a question level, the bank's highest scores are for commitment to securities services (6.17) and depth of market knowledge (6.31). "Tailor-made support plus high-quality service" is the verdict of one client. "Excellent level of service provided at the time when currency controls were introduced," notes one global custodian. Another comments that, "Local knowledge and customer service have been staples for Citi's service offering."

### Eurobank

Eurobank administers €13 billion in assets as a sub-custodian and is only one of two domestic financial institutions represented in this year's cross-border survey. There are no official statistics available in the Greek market documenting the market share of each custodian for foreign institutional investors, but Eurobank estimates its share of that market segment at around 30%. Its responder base this year consists for the most part of retuning clients. They praise Eurobank's relationship management and account administration teams for their responsiveness. A number of clients also comment on the bank's proactivity when it comes to corporate actions and notifications. More than one respondent describes Eurobank's deadlines as "the best in the market."

### HSBC

Absent from last year's survey write up, HSBC has a handful of large clients in Greece who have rated it this year. The bank's highest category score is for Client Service (5.73). Although year on year comparisons need to be treated with caution, given the limited sample from 2015, HSBC has increased its scores in four categories – Value and Commitment, Reporting, Cash Management, and Technology and Connectivity.

### Piraeus Bank

Client comment for Piraeus Bank is overwhelmingly positive. "Extremely satisfied, in spite of the imposition of capital controls in Greece since June 2016," says one client. "Fine service; tailor-made is not an issue; client-oriented commitment is their standard," comments another. The bank has recorded significant improvements in most service areas, all of which are up on last year. The biggest increases are for Tax Reclaims, where Piraeus Bank scores the highest possible rating, and Relationship Management. The bank exceeds the market average in all areas bar Settlement, where it is with a few basis points of that benchmark. It outperforms the global average in all areas. ●



# Hong Kong

In addition to its attractions in its own right, Hong Kong's position as a gateway to investing in mainland China continues to strengthen. Implemented on July 1st, 2015, the Mainland-Hong Kong Mutual Recognition of Funds (MRF) will allow eligible Mainland and Hong Kong funds to be distributed in each other's market should they fulfil the respective eligibility requirements.

With effect from April 18th, 2016, T+0 cash finality is implemented by Hong Kong Stock Exchange (HKEx) for Northbound Trading on the Shanghai-Hong Kong Stock Connect. The new model aligns cash and securities settlement, enabling Stock Connect trades to be settled DVP, reducing overnight counterparty risk.

In August, the much anticipated Shenzhen Hong Kong Stock Connect received endorsement from China's State Council. While launch is still awaited, system interface specifications for the link were published and implemented by the Hong Kong Securities Clearing Company in November 2015.

## BNP Paribas Securities Services

BNP Paribas administers \$37.45 billion in assets for third party international clients in Hong Kong. Its weighted share of survey responses for Hong Kong is just over 12%, with responses coming primarily from broker dealers. With an excellent set of results, the bank scores above six (Very Good) in all service areas. Relationship Management and Client Service come in for praise in client comments. "Proactive servicing and follow ups by the relationship manager and good daily client support for BAU activities," says one client. A US broker dealer is particularly effusive: "This agent is awesome in all ways – knowledge, communication, problem resolution. I do not have anything negative to say."

## Citi

Citi's results in Hong Kong have declined this year, dragged

down by falls in scores for Value and Commitment (-0.61), and Client Service (-0.67). By contrast, Reporting is now rated Very Good at 6.22, up 44 decimal points from last year. Client comments, however, are not free of grumbles. "The turnaround time for invoice-related queries is not ideal and invoices are frequently received late," complains one. "Better turnaround times are required for corporate action issues, which take too long to be resolved," says another. On market and product related inquiries, however, the response time is good, says one very large European client. Citi also receives kudos for "keeping us up to date on market developments."

## DBS Bank Ltd

DBS has recorded a remarkable set of scores for its Hong Kong custody operation with no service area score below 6.79. "The DBS team will always be there when we need it," comments one offshore asset manager, going as far as to speculate that their client service contacts never sleep, always being on standby for late client calls and emails. "The staff are very responsive and helpful," confirms another. "The relationship manager has a strong ability to provide solutions tailored to our business needs in a timely and effective manner."

Deadlines for corporate actions and cash payments could be improved," suggests one client, though there is no evidence of dissatisfaction in scores.

## Deutsche Bank AG, Hong Kong Branch

Deutsche Bank counts 18 cross-border clients in Hong Kong, including nine asset managers and four global custodians. Respondents have returned a solid set of scores for the bank with the strongest service area being Relationship Management and Client Service, which scores above six (Very Good). "Excellent customer service and immediate feedback," says one client. All other service area scores are in the upper-fives – a solid performance. "Overall, a choice custodian," is one comment from a large client, though another bemoans "worse cut-off than other accounts we have in Hong Kong for MT202 STP."

## HSBC

"Excellent service and few queries", says one client of HSBC – the custodian with the largest market share by weight at just over 29%. Service area scores are all solid and fall within a narrow range from 5.55 to 5.85. "HSBC understands the needs of clients and supports our requests," says one respondent. "We are proactively given heads up of market changes," says another. One large bank notes, however, that, "The MIS report is not reflecting the correct STP rate."

## Standard Chartered Bank

Standard Chartered in Hong Kong may well be disappointed with its results this year, which underperform the market, but it has recorded improvements in most service areas, particularly for Relationship Management, which, at 5.74, is its highest score. "High service levels," says one client. "Relationship and regional account managers help us proactively." ●



## Israel

At the beginning of the year, Nasdaq and Tel-Aviv Stock Exchange (TASE) agreed to form a jointly-operated venture to support private growth companies in Israel. The venture, which will operate out of Tel-Aviv, will offer various benefits to private companies including strategic counselling and mentoring, exclusive networking, a secondary market for liquidity events and debt financing services. The private market will have an independent management team chosen by both exchanges.

In addition, TASE entered into an agreement to deploy Nasdaq's Genium INET technology for trading across a variety of asset classes including equities, derivatives, bonds, fixed income, as well as commodities. The technology overhaul will support TASE's growth focus to attract capital both domestically and internationally, and run cutting-edge technology based on international standards and best practices.

For the market as a whole, Income Collection and Settlement score highest – 5.44 and 5.41 respectively, while the aggregate score for Value and Commitment is 5.16.

At a global level Israel underperforms in client perception by an average 38 decimal points. A score for the market as a whole of 5.29 suggests that service is good enough, but there is room for improvement.

### Bank Hapoalim B.M.

Bank Hapoalim reports \$223.5 billion in assets under custody for foreign clients, settling an average 10,000 transactions a month. Its 15 foreign clients are spread across a wide range of client types, including global custodians, global investment banks and CSDs. The bank estimates its share of international third party business in Israel to be 48%.

Following last year's disappointing scores in a number of areas, the bank has recorded improved results in most categories, particularly in Cash Management and Income Collection. Value and Commitment, Relationship Management

and Client Service, though scoring slightly higher than last year, are still languishing at the upper end of Satisfactory (4.00-4.99). With no client comment to add colour to these scores, one must assume that this year's responder base are broadly satisfied with the service they are receiving, though the bank itself may want to explore ways of raising its scores in these areas over the next year.

### Bank Leumi le-Israel B.M.

Bank Leumi puts its share of Israeli sub-custody business at 30%. Its results are up across all service areas bar Tax Reclaims. Relationship Management has seen a 21 decimal point rise to 5.43.

While one client praises "very dedicated support from RM and Operations," another warns that, "There is a strong dependency on one single person within Bank Leumi and if she is not in, there is a clear gap." However, one client lauds "a good relationship team with excellent contingency arrangements."

The bank garners the highest scores in the market for Cash Management and Settlement. Bank customers are the most generous, rating Cash Management, Income Collection and Corporate Actions as Very Good (6.0 or above).

On the client wish list is "further automation in Corporation Actions," while one bank client suggests that Bank Leumi "could be more pro-active with regard to regulatory or Central Bank announcements and managing the impact on foreign investors."

### Citi

"The key with this provider is the personnel. They are readily available and service-centric," says one large Asian custodian. "Flexible and committed when it comes to coming up with solutions/problem-solving," says a large European client. Indeed, Citi scores highest among Israeli sub-custodians for Relationship Management and Client Service. At an individual question level, the bank's highest score, 5.80, is for the knowledge, effectiveness and flexibility of operational staff. It also scores well for the effectiveness of its staff in responding to queries.

Citi outperforms the market average in all service areas bar Cash Management and Settlement. For Client Service and Tax Reclaims, it also outperforms the global average. Year on year, Citi has recorded the highest absolute improvement in Client Service, up from 5.54 to 5.78, and Reporting, up from 5.36 to 5.53.

In two question areas, one related to Cash Management and one related to Value Delivered, Citi still has work to do in the eyes of this year's respondents. Flexibility over funding deadlines scores 4.97, while competitiveness of fees charged is only 4.49.

Overall, however, Citi has recorded a creditable set of scores. Clients in the medium size bracket are more generous in their assessments than their smaller peers, awarding scores of six or more in all service areas with the exception of Value Delivered. ●



## Italy

The inclusion of Monte Titoli in the first wave of migration to the new T2S environment was a major challenge for agent banks and their clients. This took place in August 2015, just after the end of the 2015 Survey and has now had time to be properly absorbed into the standard operating procedures of all participants. Overall the process must be considered a success. Despite some concerns about agreement on SSIs at the time of implementation everything seems to have been resolved. It is perhaps worth noting that all comments received from clients across all agent banks concerning Settlement were positive. Indeed among client comments generally T2S was sufficiently complete as to merit barely any mention at all.

### BNP Paribas Securities Services

Results for BNP Paribas were generally very good, being competitive with local market participants and recognising that BNP Paribas received more responses than any other provider. However compared with 2015, as well as their own very high standards in other countries, they were not as consistent with scores lower in three categories. Gains were seen in core operations and one client in particular noted, “BNP has been diligent in assisting with aged reclaim items.” Another commented on the responsiveness of tax teams in dealing with queries. Relationship Management and Client Service saw the best scores, but a decline compared with a year ago. One respondent was keen to praise the, “very fast response time on our queries,” while a second acknowledged, “a great team who have excellent knowledge and provide quick responses.” However one less satisfied customer noted that, “when responding to our queries BNP answers are quite short and there is need for more investigation.” Overall a good year for a market leading player but not as successful as it might have been.

### Citi

Citi's position in Italy does not appear to be improving. 2016 saw

a low level of responses and a decline in scores in four of the six categories. A big gain was seen in Settlement scores however with one major client noting, “our settlement team are doing great. No complaints.” The position in Client Service however is more mixed. One respondent commented that they received, “a very high standard of service from the very flexible and knowledgeable local Italian team.” However another was much less happy. They noted that, “after centralization of inquiries in Dublin questions and requests are getting complicated and difficult to be answered, which is very unsatisfactory.” Citi scores in this category were some way behind their competition in the market.

### Deutsche Bank S.p.A.

Deutsche Bank scores in 2016 were solid but not exceptional. Scores were generally lower than in 2015, and while competitive were below the levels achieved by a number of rivals. The commitment of the bank's senior management was recognised as a strength and the publicly stated strategic focus of Deutsche on the business is seen as an important consideration by clients. Deutsche was also considered to have good relationship staff and knowledge with one client using the word ‘excellent’ to describe the individuals they had met. Technology however posted noticeably lower scores. One client commented that, “Deutsche Bank has experienced several system and reporting issues during the last 12 months.” Clearly if this experience is widespread it explains the scoring.

### Intesa Sanpaolo S.p.A.

Intesa Sanpaolo seems to be making progress in improving levels of client satisfaction. It achieved the second highest share of responses among the five banks covered and solid, if not yet exceptional scores. Clients noted, “greatly improved relationship management,” as well as recognising that the bank was, “willing to assist us finding solutions customised to our needs.” One client summarised their position by commenting that, “Intesa provides high level of service, they are very knowledgeable and have a flexible approach to the clients in meeting clients’ requirements.” Clearly this provides a good base on which to build further success in the market. Settlement was seen as very good, though based on comments concerning a lack of SWIFT standards, it may be that corporate actions still need work. Overall a very encouraging performance.

### SGSS S.p.A.

SGSS saw strong gains in scores for Settlement. Despite one client noting that, “the corporate action system needs to be improved in manner of receiving timely and accurate CA information and confirmations” scores for Asset Servicing as a whole were also higher than in 2015 and among the best seen amongst all banks. SGSS was also lauded for its excellent help with the T2S implementation. Indeed as one client commented, “SGSS provides strong local market information, high responsibility of relationship managers and fast response to queries.” This set of strengths clearly played a part on allowing SGSS to achieve the highest overall score among providers and position itself to expand further in the future. ●



## Japan

Japan remains the largest single stock market in Asia with a capitalisation of nearly \$5 trillion. It is however now much smaller than the combined total of the two key markets in China, which together amount to almost \$8 trillion. Performance of the market, as well as the underlying Japanese economy remains difficult. Periods of relative strong performance being balanced by spells of flat or downward moves. The securities and custody markets have always been regarded as highly efficient, but not without their own idiosyncrasies. The last year saw the extending of hours for settling cash and securities for JGBs through the Bank of Japan (“BoJ”) and a simplification in account structures at BoJ and JASDEC. Because of the importance of the market to global investors and the resultant scale of agent bank activity, the market has been well served by providers for many years. Scores in 2016 continued the trend of excellence. The average across all providers was up by 0.22 points and was by some margin the highest in the Survey. All providers outscored the global average.

### Bank of Tokyo-Mitsubishi UFJ

BoTM has long been the leading provider of agent bank services. While in terms of responses it was surpassed this year its position remains excellent, with excellent scores and very positive comments. Scores were around 0.25 points higher than in 2015 and achieved a level of better than 6.0 (Very Good) on all categories. One client particularly valued BoTM’s, “willingness to collaborate strategically with clients to deepen relationship,” while another stated, “our needs are well understood and the service provided fully fits our business needs.” This ability to understand and work with customers is backed by excellent execution. Clients noted, “their team is able to respond to our requests timely, and come up with constructive advice and solutions,” and “very fast and clear corporate actions announcements/Pro-activity for failing trades.

Tailor-made service, flexible product development upon client’s request” among strengths. Overall another excellent year.

### Citi

In any market other than Japan the set of scores for Citi, and the progress achieved compared with 2015 would be considered excellent. Clients noted, “good deadlines, good and precise responses to queries as well as accurate processing of events and advices” among different aspects of client service and operations. Unfortunately for Citi, its improvement was matched by the indigenous rivals, leaving it still a follower, albeit one providing very high levels of service and enjoying very strong customer relationships.

### HSBC

Like other non-Japanese banks, HSBC offers very high levels of service but is unable to make significant commercial progress due to the high standards maintained by local banks. Client comments included, “we receive regular updates on latest developments and close account management. Excellent services provided for all custody areas.” In addition client services and relationship management as well as quality of service were seen as important strengths offered by HSBC to its clients. Scores were better than 5.50 in all categories and in Relationship Management almost reached 6.0.

### Mizuho Bank, Ltd.

After striving for some years Mizuho finally received a greater weight of responses than its main rival BoTM. It also saw much higher scores than a year ago, generating levels of scoring seldom seen in the Survey. A few client comments perhaps help explain how Mizuho has accomplished this level. “Mizuho Bank provides tailor made solutions for our business,” and “Mizuho Bank provides services, based on full understanding of our business needs” reflect the willingness of the bank to invest in its client knowledge. Meanwhile, “Mizuho’s operational staff are knowledgeable and flexible in responding to our queries” and “Mizuho Bank provides valuable services, necessary to develop our business in the Japanese market” show that the bank realises that its success is tied to that of its clients. Maintaining these standards will be hard, but Mizuho clearly intends to keep on pushing further forward.

### Sumitomo Mitsui Banking Corporation

SMBC remains a key player in the Japanese market. While scores were lower than in 2015 they remain excellent by global standards. However, declining scores, when competitors are improving does tend to highlight differences. One client noted that, “this agent bank is a leading innovator in banking business.” Another noted that, “the customer service we receive from our custodian SMBC is very responsive, pro-active, helpful and always appreciated.” The little slightly less positive note of one client who commented that, “we have a great relationship with Tokyo office but no London based RM since Sept 2015” hints at why SMBC may not quite match the scores of its rivals. ●



## Korea

One of the main challenges for Korean agent banks in the last year was the implementation of FATCA and its impact on global custodians and their clients. Deutsche Bank and Standard Chartered Korea both worked hard to ensure that in the end agent banks were allowed to conduct due diligence at the global custodian level without having to get information about underlying clients. There was also a possibility raised of applying VAT to custody fees but this was finally ruled out by the tax authorities, again after some lobbying by agent banks. Overall scores in Korea were relatively disappointing. The overall score placed the market midway among the 27 countries covered in the Survey, though it was up marginally compared with 2015. Meanwhile the market itself was unexciting in terms of performance showing an overall return in the last year of around 7%. In terms of overall market size Korea is well behind the key Asian markets of China, Hong Kong, India and Japan but is much bigger than Singapore.

### Citi

As with other countries in the Survey, Citi in Korea saw a relatively small number of fairly satisfied clients. Comments, especially around Relationship Management and Client service are very positive. One respondent noted that, “Citibank provides great client service. We appreciate the efforts Citibank has taken to address our requests.” A number of clients cited ‘Client service and proactive approach to help clients’ among the key strengths of the Citi offering in Korea. Overall results were comparable to 2015, though scores for Value Delivered were well down. The small number of respondents makes scores quite volatile and it is difficult to know whether this reflects uneven service from year to year or simply changes to the individuals responding.

### Deutsche Bank AG Seoul Branch

Korea is a market where Deutsche performed very strongly

in 2016. Its overall scores were by some margin the best of all providers in the country and averaged better than 6.0 (Very Good) taken as whole. Only in Technology and Value Delivered did scores fall below that level, and in the case of the latter Deutsche still achieved the highest score. Scores were generally stronger than in 2015, in three categories by more than 0.25 points. Perhaps more importantly Deutsche moved to be the second largest provider based on weight of responses received. Client comments, while not numerous were without exception positive. One client, commenting on Client Service, noted that “Deutsche provides us with good support and have always gone the extra mile to resolve our issues.” Clients also notice that Deutsche provides a very quick turnaround time on all queries. This is seen as an important strength of the Deutsche service offering. Overall the bank continues to perform very strongly in this market and should be well positioned to grow its business further.

### HSBC

HSBC remains by some margin the largest provider in Korea based on weight of responses to the Survey. Overall it accounted for nearly 45% of the total, fractionally higher than in 2015. In terms of scores however the results were less conclusive. Its results were generally consistent across all categories, though Settlement did see the best performance. However, that was the only area where the score was better than 5.75. Equally there were no scores below 5.50 in terms of the six areas covered. The overall score was second best but some way behind the leader Deutsche Bank. Client comments were also somewhat more mixed than might be expected. While one commented favourably that, “HSBC dedicates time and consideration of our requests and has been successful in making enhancements” when looking at corporate actions, another felt that, “Decision and response turnaround time is sometimes hampered by strict internal compliance requirements.” As the market leader HSBC no doubt has to be relatively cautious and there is nothing to suggest that clients are unhappy overall and a few minor niggles may be expected.

### Standard Chartered Bank Korea Limited

SCB Korea is clearly working very hard to improve its position in Korea with a good deal of work being undertaken with regulators and authorities generally to work for the benefit of its clients. This is reflected in one client comment to the effect that, “SCB Korea has been able to patiently revert to us when we check on certain specific Korean market requirement with them.” It is also obviously aiming to deliver exemplary client service. As another respondent noted, “SCB Korea offer good deadlines, good and precise responses to queries as well as accurate processing of corporate action events and advices.” The dedication of staff is illustrated by a willingness to make themselves available during morning London hours. However scores are down, and one client notes that, “Uncompetitive fees currently being charged.” Clearly with response numbers and scores both lower in 2016, SCB Korea will be looking to bounce back next year. ●



## Nordics

This year, with a little linguistic licence, we have grouped together the markets that comprise the Scandinavian and Nordic region under the heading of Nordics for the purposes of market commentary, though statistical tables are still presented for each of the markets individually. This is in recognition of the fact that from a financial perspective, they have made great strides in strengthening their regional identity.

There are, however, different challenges when it comes to market reform, notably as regards to T2S. In Denmark, VP Securities along with VP Lux will be migrating in the imminent 3rd wave. Only EUR-nominated settlement will be migrated at this stage, however, with settlement in DKK expected to follow in late 2018.

In the meantime, the Danish Central Bank has decided to introduce a new DKK RTGS system (Kronos) to replace the current collateral management system – with the change scheduled for April 2017.

Euroclear Finland (EFI) meanwhile will migrate as part of the final wave in September 2017, while Euroclear Sweden has yet to make a decision on T2S and is unlikely to join before 2020.

In preparation for T2S, Euroclear Finland has planned a three phase system replacement.

Fixed income products were moved off Ramses onto the new Infinity platform in February 2015. Equity-based products are to follow in Q4 2016, replacing HexClear. Finally, Finland will join T2S in the final wave.

There are a number of developments ongoing in Finland, driven both by a European regulatory agenda and local matters. At an infrastructure level, SEB cites preparations for the Central Security Depository Regulation (CSDR) and Euroclear Finland's IT-structure renewal in cooperation with other Nordic Euroclear-CSDs. SEB singles out the account structure to be implemented in phase two of the Finnish CSD renewal programme, as a very positive development. "SEB clients will have the possibility to link their custody accounts

to an SEB omnibus account at the CSD-level," says the bank, while the current account setup will remain available at a higher cost.

Norway being outside the EU, but part of EFTA, has a different set of priorities. Implementation of the new European securities regulations where ESMA has been given a direct supervisory role in the market (CSDR, EMIR) has been delayed in Norway, owing to the limitations of the Constitution concerning the national supervisory authorities. Norway and the European Union have now come to an agreement for the incorporation of the EU supervisory structure and EMIR is expected to be implemented in the Norwegian market in late 2016 and CSDR in 2018.

The Norwegian VPS has launched its own renewal process under the moniker "VPS 2.0" with an eye on the broader European harmonisation promoted in the run up to T2S. Beginning in 2014, the programme covers all core functionalities, including settlement, corporate actions and registry. Existing core systems will be modernised and message infrastructure and messages, renewed and standardised. Further up the transaction chain, the Oslo Børs has started two new trading venues: Mercur Market, a new MTF that opened for business in January 2016 and North Sea, a dark pool, which has been operating since April 2015.

In a project launched in February 2016, Euroclear Sweden plans to replace its current core systems with EuroclearSAFE. It will aim where possible to reuse functionality developed for Finland's Infinity platform, though the two systems will be separate. The project expected to be finalised mid-2018 in time for CSDR implementation. The CSD also plans to be T2S-ready in the eventuality of a decision to join.

Of the five sub-custodians covered below, three – Nordea, SEB and Handelsbanken – offer services in multiple markets, while two – Danske Bank and DNB – focus on their home markets of Denmark and Norway respectively.

### Danske Bank

Danske Bank has a weighted market share of responses for Denmark of 18.6%. Its results are brought down by three category scores in the merely Satisfactory range (4.00-4.99): Value and Commitment, Tax Reclaims and Connectivity. Unfortunately, declines across the board leave the bank shy of the market average in all service areas.

A paucity of client comment sheds little light on why perceptions have dropped. In some cases, it may simply be a lack of activity on which to pass judgment. "Good, efficient, but little contact on a daily basis. No problems no complaints!" says one European bank. One of the largest clients cites good relationship management and tax processing as strengths of this provider.

At an individual question level, Danske's highest scores are in the area of Settlement. It scores 5.44 for 'Effectiveness in resolving unmatched trades, including handling of alleged and near-match situations' and the same again for timeliness of settlement confirmation and proactivity in failed trade resolution.



## DNB

DNB has \$29 trillion of assets in sub-custody in Norway. In the absence of official figures, it estimates its market share as 20% of total transaction volume and 40% of holdings at the VPS. It is the clearing agent for 9% of remote member transactions and registrar for 55% of Norwegian companies and 65% of foreign companies registered at VPS. In terms of survey share, it accounts for just under 25% of weighted responses for Norway.

The bank's decision to remain focused on Norway appears to have served DNB well as reflected in its survey results. Although scores have fallen slightly in several areas, they remain in a narrow, but creditable range of 5.50 to 6.04, the latter being for Client Service. The bank's "very prompt responses" to queries have been noted by one European bank client. "Very good client service and communication," says another. On the downside, Corporate Actions processing is cited by one or two large respondents as ripe for improvement.

Overall, DNB outperforms the market average in each service category and the global average in all but two areas: Value and Commitment and Technology and Connectivity.

## Handelsbanken

Handelsbanken is one of the smaller multimarket providers in terms of survey responses, accounting for a weighted share of just over 7% in Finland and 9.5% in Sweden. In both markets, its results are solidly in the low-fives, classified as Good, but not startling.

Income Collection is the highest scoring service area for Handelsbanken in both markets. Clients seem satisfied on the whole and leave nothing in the way of comment colour. The bank has progressed in a number of areas compared to 2015, raising its scores in both Sweden and Finland in six out of 10 categories.

## Nordea

Nordea provides sub-custody services in all four markets in this grouping with \$266 billion in assets under custody for international clients in Denmark, \$110 billion in Sweden, \$75 billion in Norway and \$86 billion in Finland.

The bank estimates its market share of sub-custody clients as 25-30% in Sweden, 40-45% in Norway, 45-50% in Denmark and 65% in Finland. In terms of survey share it accounts for a weighted share of responses for the same markets of 12%, 28%, 34% and 45% respectively. Nordea is in the process of rolling out a new, future, regional settlement, safekeeping and asset servicing platform.

In terms of ratings, Nordea's results vary by country. In Finland, it outperforms the market average in three areas: Cash management, Income Collection and Settlement. In other areas it falls short by just a few basis points. Scores are nevertheless quite creditable, ranging from 5.44 to 5.71. Fast response times are praised by more than one client. One large European bank notes that, "Operations and RM support remain very good and consistent from year to year."

In Norway, Nordea outperforms the market average in two areas: Cash Management and Income Collection. In Sweden,

by contrast it outperforms the market average in all service categories with the exception of Relationship Management and Client Service. "Reliable support – Strong knowledge of their market," notes one European global custodian.

## SEB

SEB has a well-established sub-custody business across the region. It holds \$55 billion in assets under custody in Finland, with a monthly average of 177,000 transactions, on behalf of 80 diverse clients. Figures are not provided for the other Nordic markets, but in terms of weighted survey responses, its share is 38% in Denmark, 44% in Finland, 39% in Norway and almost three-quarters in Sweden. Given its dominance in the last of these markets, it is hardly surprising that SEB's scores are close to the market average, though a few decimal points higher in nearly all cases. Client comments for Sweden are nearly all positive. "SEB provides a very good professional service and has vast knowledge and experience," notes one very large European client. "SEB has a great market specialists team and always proactively advises us on both market and SEB developments," says a European global custodian.

In Norway, Cash Management and Income Collection are the only services falling just short of the market average, while in Finland, SEB outperforms the market average in all service areas. Client comments in this market are largely positive, though more than one observes that MT578 reporting could be enhanced.

In Denmark meanwhile SEB exceeds the market average in all but one service category, Income Collection, where it falls short by a mere three decimal points. By contrast, its score for Client Service in Denmark is 42 decimal points above the market average and 25 decimal points above the global average. ●





## Singapore

In February this year, SGX implemented the London Stock Exchange Group's Millennium PostTrade platform to support SGX's Central Depository business. Millennium PostTrade will enable the central depository to adopt global market practices, real time straight-through-processing and industry messaging standards (including FIXML and ISO20022). "With this implementation, our brokers' back-office systems have been enhanced from indirect to direct communication with SGX for all post-trade processing," said Nico Torchetti, SVP & Head of Market Services, Singapore Exchange. "The ongoing transformation of SGX's post trade environment will increasingly enable us to deliver greater levels of standardisation and efficiencies for our customers."

In late August, meanwhile, the Singapore Exchange Limited announced that it had agreed with the Baltic Exchange in London on the terms for a recommended offer by SGX for the entire issued share capital of the Baltic Exchange.

### BNP Paribas Securities Services

BNP Paribas Securities Services accounts for just under 15% of weighted survey responses in Singapore. It has recorded a very impressive set of category scores this year ranging from 6.67 for Tax Reclaims. It outperforms both market and global averages in all areas. Remarkably, this performance represents a slight decline for BNP Paribas over the year, with scores a few basis points down over 2015 in all areas bar Value and Commitment and Cash Management. Comments, primarily from banks and brokers in the region, point to a satisfied client base with no deficiencies highlighted other than the inevitable request for lower fees.

### Citi

Citi accounts for just over 8% of weighted survey responses in Singapore. According to the views of respondents, Citi has upped its game in this market with improvements in

perception in all service areas. Half of these are now rated above six. No clients have chosen to comment further, but the results speak for themselves. Tax Reclaims and Income Collection top the service table.

### DBS Bank Ltd

DBS holds approximately \$113 trillion in assets under custody for third party international clients, processing between 41,000 and 51,000 transactions a month. The bulk of its international clients are asset managers, though all other client segments are represented. The bank, for example, estimates its market share of global custodians' custody business in Singapore at more than 60%, by asset size.

In this year's Singapore survey DBS accounts for some 21% of weighted survey responses. It has recorded a solid set of category scores this year between 5.5 and 6.04, more or less in line with 2015. It exceeds the market average in four areas: Client Service, Income Collection, Tax Reclaims and Settlement and outperforms the global average in seven areas. "DBS Singapore's performance has consistently met our expectations; they have put much effort into looking after our custody accounts," says one Hong Kong based client.

### Deutsche Bank AG

Accounting for roughly a fifth of weighted survey responses in this market, Deutsche Bank has recorded category scores of between 5.47 and 5.84. Although not matching some of the spectacular scores recorded by some providers in Singapore, this is nevertheless a commendable performance. It represents a measurable improvement over last year's client perception with increases in all service categories. "Credit to the Investor services/operational team for the good support," says one regional fund manager.

### HSBC

Just under 19% of responses by weight in Singapore are for HSBC. Although it records a small decline in results at a category level, it is perceived as a very reliable provider with category scores ranging from 5.39 to 6.08. It matches or outperforms the market average in half of the service categories and the global average in all but two areas. "The operational staff is always very helpful, fast and informative in their replies on queries," says one large European bank. The only area of slight concern is a notable drop in appreciation of the bank's Technology and Connectivity.

### Standard Chartered Bank

Standard Chartered accounts for around 8% of weighted survey responses in Singapore. Although not a cause for major alarm, its category scores languish in the lower-fives, between 5.03 and 5.57. This represents a drop across the board of between 39 and 129 basis points. "Uncompetitive fees and service issues experienced," says one large UK client. "Poor Service delivery affecting financial and reputational impact through buy-ins." Cash Management appears to be a relative weakness this year. ●



## Spain

2016 is a year of major changes being implemented in the Spanish securities markets. Phase 1 of the market reform commenced in April of this year while the move to T+2 settlement is due in October. As all providers noted, these initiatives have taken up considerable resources in the last 12-18 months. The final outcome will see Spain become far less anomalous in terms of post-trade activity but there is no doubt that clients have been impacted by the process. Overall scores were lower than a year ago by some 0.19 points and all the major players suffered from a decline in scores in the majority of categories. One European client noted that, “due to market reform service level went considerably down” and this was a far from isolated example.

### Banco Bilbao Vizcaya Argentaria, S.A.

Among the major service providers scores for BBVA declined by the smallest amount. As a result it achieved the highest overall score in Spain. Scores improved in Asset Servicing even after some negative comment. One client noted that, “announcement and processing of electable voluntary events could be improved,” while another stated, “latest regulation change and market complexity have heavily complexified the tax reclaim process and its efficiency.” Despite these comments scores for BBVA were good in this area and actually higher than those for Relationship Management and Client Service. In this case the comments were generally more favourable, including, “helpfulness and response times of main BBVA relationship managers and Investment Operations contacts is a key strength from our perspective.” BBVA acknowledges the issues it has faced but appears to have come through in a good position.

### BNP Paribas Securities Services

Of all its major operations locations, BNP Paribas in Spain performed least well in 2016. As one client commented, “BNP

Madrid seems to be incredibly resource-constrained this year – it has been very obvious that there are simply not enough experienced people providing the service.” The same client also felt that additional fees for extra services were hard to justify. Another client seemed relatively neglected having not received a visit from their BNP Paribas Spain contacts, even while seeing those from other locations at least annually. Finally a third client had witnessed, “significant IT failures that need to be addressed,” believing these to have been caused directly or indirectly by developments being done to handle market reforms. It should be noted that clients generally continue to value excellent relationships and knowledgeable people and scores are still competitive. While not a great year for BNP Paribas the bank clearly has the capacity, commitment and credibility to respond effectively.

### Deutsche Bank SAE

In common with other providers Deutsche saw scores lower than in 2015. But the bank has a significant and longstanding presence which clearly gives it the opportunity to bounce back. One client commented on their, “stable, long lasting and trustful relationship.” Another also noted personnel continuity with, “same contacts for over 10 years. Excellent service- very happy.” One respondent did indicate that “Deutsche Bank has experienced several system and reporting issues during the last 12 months,” but this was not repeated. The overall average remained comfortably above the 5.0 (Good) default score and while there seems to be room for improvement in most areas, there is no major level of discontent.

### Santander Securities Services

Santander remains the leading domestic bank provider of agent bank services in Spain. As such it is at the forefront of all the market changes. This had an impact on scores, which were down by around 0.20 points overall, despite gains seen in Asset Servicing. Clients much appreciate its market position and commitment to the business. One noted strength on, “market knowledge, as well as product development investment on settlement this year.” However another client saw what it regarded as too many mistakes in tax reclaim processing, while “a better reporting process post reform” was the wish of a third. Santander will have the opportunity to further focus on client requirements once the changes to core infrastructure are fully implemented. It maintains very strong client service orientation with one respondent commenting on, “excellent response times to questions. People are always available and have a high level of expertise. Santander are an excellent provider”. Fast response times were a feature of a number of client comments and the bank seems well placed to move forward in 2017.

### Other

Both Citi and Societe Generale Securities Services received a small number of responses. As with other providers they have faced challenges in 2016 but scores are competitive. In a new environment they may well be positioned to grow further. ●



## South Africa

The major infrastructural development in the South African securities market this year has been the move from a T+5 settlement timeframe to T+3 in mid-July. By all accounts the transition was extremely smooth with no evidence of an increase in failed trades in the transitional period. T+3 is expected to bring a number of benefits to the South African market, including an even closer alignment with global market standards, improving both the credibility and operational efficiency of the local market.

The T+3 implementation will be followed in mid-2017 by the implementation by Strate, the CSD, of a Debt Instruments Solution (DIS) project, which aims to deliver much needed enhancement to the IT and processing of the debt settlement market. “The DIS project will consume the bulk of our market development focus in the next 18 months,” says Standard Bank.

### Nedbank Limited

Nedbank processes some 85,000 trades a month including corporate actions. The bank admits to a marginal market share of custody for foreign clients, but nevertheless accounts for 18% of weighted responses for the market in this year’s survey. The bank has seen a fillip in its scores from foreign clients this year. It is up across all but two service areas – Settlement and Technology and Connectivity.

In the case of Value and Commitment and Relationship Management, the increase in scores is substantial, up 85 and 88 basis points respectively to 6.20 and 6.35. Client comments are few though one regional bank notes that, “Their custodial service is excellent.”

### RMB Custody

RMB Custody accounts for just over a fifth of weighted survey responses for South Africa. Its scores this year are in a fairly narrow range from 5.25 to 5.74, suggesting competence rather than sparkle. RMB outperforms the market average in Client

Service and Tax Reclaims. Banks are the most generous client category, rating RMB six or above for Relationship Management and Client Service.

Looking at the client comments, opinions seem to vary. “Response time should be much better, providing more details and explain more clearly,” says one large European institution, while another compliments “the quick response on email and phone inquiries.”

### Societe Generale Securities Services

Societe Generale did not receive sufficient responses for last year’s ABMM survey to warrant a precise rating. This year it accounts for around 12% of weighted responses. Unfortunately, the increase in the number of respondents has not helped with its ratings, which are somewhat disappointing considering SGSS performance in last year’s South Africa Domestic Market survey. In four service areas, scores have fallen below Good (5.00-5.99) into the satisfactory range. These are Client Service, Reporting, Settlement and Technology and Connectivity.

At an individual question level, the bank’s highest rating – 5.35 – is for quality of securities-related payments processing and flexibility over funding deadlines. At the other end of the scale, timeliness of settlement confirmation scores only 4.58. The few client comments are mixed. “Response times poor and answers to queries not fully understood,” says one Asia based client, while one global custodian is complimentary: “We appreciate Societe Generale’s proactive approach to reviewing and meeting our requests.”

### The Standard Bank of South Africa Limited

The Standard Bank Group is the largest Banking Group on the African continent. The Investor Services business is a product pillar in the Transactional Products and Services (TPS) division of the Bank, contributing 36% to Corporate and Investment Banking (CIB) earnings in 2015.

Standard Bank has a 40% market share in the custody and administration of equities in the South African market and accounts for a similar percentage of weighted responses for South Africa in the 2016 ABMM survey. It administers assets for a wide range of international clients, including six global custodians.

By comparison with 2015, Standard Bank’s survey results are up a few basis points overall with increases in all service areas with the exception of Cash Management and Tax Reclaims. Scores at a category level range from 5.20 for Corporate Actions to 5.71 for Relationship Management. The bank outperforms the market average in Value and Commitment, Relationship Management, Reporting, Tax Reclaims, Settlement and Technology and Connectivity.

### Standard Chartered Bank

Standard Chartered received insufficient responses this year for a formal rating. Client comment suggests service improvements still have a way to go. “Inquiry response time could improve,” says one global custodian. “Additionally, voluntary event instruction turnaround time could be faster. SCB has been open to suggestions to improve these service areas.” ●



## Switzerland

The Swiss market was within the first wave of countries to join T2S. At the time of the Survey in 2015 the impact had not been felt. By this year's Survey however the new operations were well entrenched. Earlier this year various changes were made to Swiss law to bring it more into line with evolving regulation in Europe.

Among other changes this saw SIX Securities become a CSD rather than a bank as it had been previously. The Swiss market remains the fourth largest in Europe based on market capitalisation. It ranks some way behind London and Euronext but is only slightly smaller than Deutsche Borse. Effective provision of subcustody services has long been a hallmark of Swiss banks.

In recent years scores have not been as good and a further small decline was noted in 2016. As a result Switzerland now ranks around midway of all the countries covered.

### BNP Paribas Securities Services, Zurich

BNP Paribas received the second highest level of responses to the Survey based on weight – the same as 2015. Scores were lower than a year ago with an average decline across all categories of around 0.10 points.

Nonetheless BNP Paribas continues to enjoy a good base of satisfied clients. One noted that, “BNP has very strong relationship management,” while another recognised the strength of BNP Paribas in, “understanding of the market and the needs of the clients.” Clients also regularly cited the very professional nature of the staff as well as their experience.

Operationally clients commented on the, “attention to detail and daily settlement processing,” and the bank did well in Asset Servicing. However, a small number negative comments included, “we have had incidents of very poor payments processing since BNP moved the service from Zurich to Lisbon.” However, as long as these remain isolated problems BNP Paribas has nothing to worry about.

### Credit Suisse AG, Zurich

Credit Suisse continues to be the dominant player in the Swiss market, winning new business as well as retaining existing clients.

Overall scores were effectively unchanged compared with 2015. Gains were recorded in two categories, one was unchanged and three declined, but differences were marginal.

Client comments noted the strength of the bank in terms of, “responsiveness of the relationship management team.” Operations were considered to work well and people were considered excellent by many clients. “Excellent market knowledge,” was also cited by one respondent as an important part of their relationship.

In terms of client service, Credit Suisse was praised by a number of clients of all sizes for responding very quickly to queries and generally offering “great service.”

In terms of Technology and Reporting a number of clients were impressed by the quality of SWIFT reporting provided by Credit Suisse. Overall another solid year.

### SIX Securities Services

As noted above the role of SIX changed in 2016. Although smaller than others in terms of response numbers SIX has a satisfied cohort of clients.

Scores were marginally lower than a year ago with gains in Value Delivered offset by a decline in scores for Technology. As one client summed it up, “it’s a cliché, but it works like a Swiss watch. Very good and a bit expensive.”

Meanwhile another was very impressed by query response rates, commenting that, “SIX offers impressive and excellent service and the response time in a lot of cases within 4 – 6 hours upon receipt of our queries.”

Other clients stated that SIX had “very very knowledgeable staff members with good market know how.” While it is not clear how SIX will be able to grow subcustody significantly, it appears well set with its existing client base.

### UBS Switzerland AG

One client commented that it was disappointed that it found it hard to name a specific strength in the UBS service. UBS obtained fewer responses than in 2015 and saw somewhat lower scores so the concern is perhaps not unique. The decline in scores was not out of line with others in the market, despite one negative comment concerning communication of voluntary corporate actions.

Another client was somewhat concerned that, “UBS does not always ensure that systems changes do not impact their clients” which resulted in lower scores for Technology.

On the other hand a North American client noted that, “UBS is in tune to our requests and engaged in conversions to improve service.”

A European client praised, “relationship management that made great efforts to improve interaction and service.” It would appear that lack of consistency is the problem rather than any systemic issues. ●



## UK & Ireland

This year we have grouped UK and Ireland together for the market write up as they share a CSD. BNP Paribas and Citi are the only sub-custody providers rated in Ireland this year and they are also rated in the UK.

Given the size and importance of the UK market globally, there is little to say about the market in general that has not been extensively reported. Leaving aside the impact of Brexit, for the moment, about which there are wildly differing predictions, there have been a number of less exciting, but important reforms in the country's securities market infrastructure.

In September 2015, a Regulation S Category 3 settlement service was introduced by Euroclear UK & Ireland to facilitate electronic settlement in certain securities exempt from registration requirements under the US Securities Act of 1933, as amended (the Securities Act).

This was to address article 3(2) of the Central Securities Depository Regulation (CSDR) which requires that, where a transaction takes place on a trading venue, the relevant securities shall be recorded in book-entry form in a Central Securities Depository (CSD) on or before the intended settlement date. Meanwhile, RTGS opening hours were extended in mid-June 2016 to enable a longer CHAPS and CREST settlement day.

The Standard for Automatic Exchange of Financial Account Information in Tax Matters (also referred to as the Common Reporting Standard – CRS), a new tax reporting obligation related to the automatic exchange of information aimed at fighting tax evasion, entered into force from January 1st, 2016.

While the UK market is generally considered one of the most advanced from an operational perspective, over the past few years, changes in market structure to take advantage of technology have presented (surmountable) challenges to service providers. On the one hand, the growing popularity of algorithmic trading has multiplied the volume of transactions needing processing and servicing, while fragmentation in

trading venues adds to the complexity of pipes needed to ensure robust financial plumbing.

### BNY Mellon Asset Servicing

In the UK, BNY Mellon accounts for between 10% and 11% of this year's survey responses by weight. Its scores have fallen across the board and it now records several category scores below five, the threshold for Good. Consequently, it underperforms both the market and global averages. With a responder base very similar to last year's, this decline cannot be explained away easily. "Overall a very average performance this year," says one European bank. Another puts recent frustrations down to size. "A big machine," says the client. "Mass trade flows are very efficient and cheap, but exceptional issues outside of the day to day can prove problematic."

### BNP Paribas Securities Services

BNP Paribas holds just north of \$261 billion in assets under custody for international clients in the UK and settles around 982,000 transactions per month on average, OTC and via on-Exchange platforms. Its client base of 247 is spread across all client segments. It estimates its share of this market at 15%.

BNP Paribas' results in both UK and Ireland should please the bank. In the former, it has exceeded the market average in all service areas, most notably in Client Service, which is 97 basis points higher than the UK market as a whole. It has also improved its scores notably compared to last year with all service areas rated above six. Again, Client Service has shown the most progress.

In Ireland, BNP Paribas has recorded increases across all service categories with the exception of Tax Reclaims, previously rated excellent and now still above six. BNP Paribas outperforms both the market and global averages in all areas. This is most notable at a market level for Client Service and Settlement.

### Citi

Citi's scores have fallen back in the UK this year with declines in most areas, most noticeably in Value and Commitment and Settlement. Client comments do not add much colour to this development. While one European bank says it receives "accurate and correct answers on queries, more complex queries can take some time." The same bank, however, praises Citi for "going the extra mile, when needed." At a question level, Citi's highest score, 5.85, is for its range of connectivity options. At the other end of the scale, it scores only 4.80 for competitiveness of fees charged.

In Ireland, the bank's scores are also down in several areas, though it still holds its own in most areas.

### HSBC

HSBC accounts for just over a fifth of UK responses by weight. With the exception of Cash Management (5.01), the bank has received a solid set of scores in the range of 5.28-5.82. It outperforms both the market and global average for Relationship Management and Client Service. While one bank praises HSBC's "willingness to meet client needs," is also points to query resolution time as needing improvement. ●



## United States

The US financial services industry, in coordination with regulators, is planning to shorten the settlement cycle to T+2 in Q3 2017 for equities, corporate bonds, municipal bonds, unit investment trusts, and financial instruments comprised of these security types. Shortening the settlement cycle is expected to yield benefits for both the industry as a whole and to market participants, reducing credit and counterparty risk, improving operational processes and increasing market liquidity.

The Depository Trust & Clearing Corporation (DTCC) has established an Industry Steering Committee (ISC) to oversee the T+2 settlement cycle initiative. The ISC is co-chaired by the Securities Industry and Financial Markets Association (SIFMA) and Investment Company Institute (ICI). The ISC oversees the Industry Working Group (IWG), and Sub-Working Groups (SWGs).

The Commodity Futures Trading Commission (CFTC) has meanwhile adopted rules to implement section 4s(e) of the Commodity Exchange Act. The rules address margin requirements for uncleared swaps entered into by swap dealers (SDs) or major swap participants (MSPs) with financial institutions.

The SEC, the primary regulator of money market mutual funds, has issued final rules that will further regulate the money market mutual fund industry. The rules will create new definitions for government funds and retail funds, and require institutional prime (general purpose) and institutional municipal money market mutual funds to price and transact at a “floating” net asset value (NAV). These rules become effective October 14, 2016.

During periods of extraordinary market stress, says BNP Paribas, the new rules permit some money market mutual funds to charge shareholders liquidity fees, payable to the fund upon redemption, as well as provide for redemption gates that would halt all withdrawals.

### BNP Paribas

Although a relatively new provider of sub-custody services in

the US market, BNP Paribas currently has some \$225 billion in assets under custody for foreign clients, processing over 2.3 million transactions per annum. It estimates its share of the custody market for foreign clients at 1%. Despite this small market share, the bank accounts for almost 17% of weighted responses for the US this year. It has also received an excellent set of ratings putting it well ahead of the market average in all areas, most notably Client Service, Tax Reclaims and Income Collection.

### BNY Mellon

BNY Mellon accounts for just over a fifth of weighted responses for the US in 2016. Although a ‘big beast’ in the custody industry, this year’s respondents do not seem to rate the bank’s service agility. Whereas the market average for most service categories falls in the mid-fives, BNY Mellon this year sees three – Client Service, Tax Reclaims and Income Collection fall below five. “Answering queries continues to take a long time notwithstanding recent efforts to improve,” notes one European bank client. “The bank has a solid structure, but sometimes more flexibility is needed,” says another.

### Brown Brothers Harriman

BBH, which accounts for just over 23% of weighted survey scores for the US market, has recorded scores ranging from 5.01 for Value and Commitment to 5.47 for Technology and Connectivity. Despite the unexciting results, one long term European client highlights “a good quality and stable team. They seem to have kept the same standards despite the regulatory issues of the past few years.” Another European client complains that, “Too many changes and the delocalisation of operations are clearly downgrading the knowledge and experience of the staff. BBH, although still a fine custodian, cannot lean back but needs to gear up. There are other players in the US market.”

### Citi

Citi certainly has some strong supporters among its responder base this year, which accounts for 19% of weighted responses for this market. “The strong and close collaboration between Relationship Management and Product Management proves a very fruitful and efficient combination from our perspective,” says one very large European client. Another large European institution points to Citi’s “willingness to help us in finding solutions. They are willing to assist and build up new processes internally, so this is a very positive thing to see. Staff is also very friendly.” Compared to the market average the bank outperforms in all but three areas: Client Service, Income Collection and Tax Reclaims.

### J.P. Morgan

This year, J.P. Morgan has a weighted market share of US responses of 6.55%. Its scores are in the “adequate, but not sparkling” range of between 5.02 for Income Collection and 5.43 for Settlement and Value and Commitment. These are not, however, sufficient to match the market average. ●



## ICSD

This has been a time of change for market infrastructures, given the rollout of Target2-Securities and the challenges facing many of their clients from both an operational and regulatory perspective. ICSDs are, however, regarded as reassuringly reliable and dependable, a reputation they continue to uphold.

A number of important regulatory, operations or infrastructure developments are likely to have an impact on ICSDs. Target2-Securities (T2S), a central pan-European settlement infrastructure platform for the cross-border and domestic settlement of securities against central bank money successfully went live with wave 1 CSDs on 22 June 2015. In the long term, it is expected to significantly reduce cross-border settlement fees.

Among the regulations affecting ICSDs, the Central Securities Depository Regulation (CSDR) aims to harmonise settlement practices and introduce specific licensing passporting for CSDs across the EU. Meanwhile, the Capital Requirements Directive (IV), the European legislative vehicle implementing Basel III, will mandate an increase in financial institutions' own funds in the form of additional capital calculated according to the institution's activities and market exposure.

### Clearstream Banking S.A.

Clearstream Banking has approximately 2,500 ICSD customers, for which it holds assets to the value of \$7.44 trillion. Between June 2015 and June 2016, Clearstream settled 43.12 million transactions, amounting to a monthly average of 3.59 million transactions.

Category scores for Clearstream this year are in a narrow range from 5.43 to 5.89, suggesting broad client satisfaction. Despite small declines across most service categories, it exceeds the global average in all areas, bar Tax Reclaims.

Client comments are broadly positive. "Very good responsive and proactive relationship manager," says one UK bank.

"Market information and Watches are sent on a prompt basis and are of high quality. Very proactive and approachable in all aspects of our relationship." "Clearstream knows how to value clients," says one bank.

### Euroclear Bank

Euroclear claims €27.5 trillion (approx. \$30.7 trillion) in assets under custody as an ICSD, for which it processes roughly 191 million transactions a month. In addition to innovations in its funds processing and margin settlement messaging service, Euroclear is collaborating with itBit to deliver a distributed ledger solution for settlement in the London gold market.

Compared to 2015, Euroclear has improved its scores in all areas with the exception of Income Collection, though at 5.66, there would seem to be little to worry about in the slight decline.

At a question level, Euroclear's highest score is for understanding of clients' business needs (6.44). At a category level, it scores above six for Relationship Management, Client Service and Settlement. One Hong Kong based bank describes Euroclear as "the best provider we have", singling out Relationship Management and Client Service and Asset Servicing, including Tax Services and Settlement. There are, however, a few remarks that suggest a certain rigidity. "Due to the size of Euroclear Bank and large customer base, they are unwilling to offer bespoke solutions," says one large UK client, adding that, "Euroclear has a standardised fee schedule. They will only deviate from it to attract/retain business for a set period of time."

### SIX Securities Services

With 342 clients, SIX Securities Services has a narrower client base than its two larger rivals, though judging by its scores, it is keeping its survey respondents well satisfied.

SIX Securities Services' CSD, SIX SIS, was among the first wave of CSDs to migrate to the T2S platform. All securities settlement transactions in EUR for Swiss and Liechtenstein ISINs now automatically settle on the T2S platform, though settlement in other currencies continues to use the ICSD's existing SECOM platform.

SIX Securities Services has launched a "Post Trading Target Architecture" programme to create a modular securities services architecture and enable new and faster time-to-market services.

Clients are particularly complimentary about the provider's Relationship Management and Client Service. "Impressive and excellent service and the response time in a lot of cases is within 4-6 hours upon receipt of our queries. Very, very knowledgeable staff members," says one. A Swiss bank points to "a stable, reliable and professional relationship with an excellent service track record over the years", while another large bank praises "strong SWIFT reporting and highly appreciated connectivity support. Strong, professional and effective business relationships with all teams."

SIX Securities Services has improved on last year's excellent scores in all but two areas – Relationship Management and Income Collection – though in both cases, its scores remain very strong. ●



 <b>AUSTRALIA</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
HSBC Securities Services	32.81	5.88	5.58	5.66	5.60	5.44	5.49
BNP Paribas Securities Services	26.17	6.22	6.12	6.10	6.30	6.17	6.03
National Australia Bank	15.63	5.28	5.09	5.17	5.30	4.99	4.82
Citi	12.50	5.46	5.43	5.52	5.74	5.39	5.42
J.P. Morgan	10.94	5.28	5.12	5.08	5.10	4.89	5.25
 <b>AUSTRIA</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
UniCredit Bank	23.01	5.64	5.50	5.28	5.33	5.33	5.15
Erste Group Bank AG	18.41	5.71	5.40	5.80	5.34	5.51	5.57
BNP Paribas Securities Services	16.74	6.64	6.65	6.80	6.65	6.59	6.62
Raiffeisen Bank International	16.32	5.66	5.73	5.98	5.64	5.63	5.94
Deutsche Bank	12.13	5.53	5.37	6.11	5.53	5.03	5.37
Citi	8.37	5.53	5.51	5.36	5.70	5.62	5.32
Oesterreichische Kontrollbank	5.02	4.50	3.00	4.84	4.50	2.66	5.00
 <b>BELGIUM</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNP Paribas Securities Services	40.50	5.85	5.56	5.90	5.85	5.81	5.83
Euroclear Bank	21.15	5.98	6.11	6.31	6.20	5.90	6.08
Deutsche Bank	15.77	5.63	5.42	5.60	5.41	5.30	5.59
Citi	8.24	5.88	5.75	5.72	5.75	5.84	5.66
KBC Securities Services	7.89	5.45	5.42	5.70	5.73	5.62	5.59
 <b>CANADA</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
RBC Investor & Treasury Services	60.98	5.81	5.36	5.76	5.48	5.38	5.30
CIBC Mellon	24.74	5.65	5.33	5.53	5.37	5.26	5.52
 <b>DENMARK</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
SEB	38.43	5.69	5.57	5.96	5.66	5.51	5.65
Nordea	34.30	5.71	5.53	5.55	5.57	5.57	5.57
Danske Bank	18.60	5.38	5.17	5.27	4.94	5.03	4.96
 <b>FINLAND</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Nordea	45.33	5.76	5.52	5.70	5.44	5.49	5.49
SEB	44.39	5.76	5.65	6.04	5.67	5.63	5.64
Handelsbanken	7.01	5.50	5.41	5.17	5.25	5.27	5.33
 <b>FRANCE</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNP Paribas Securities Services	52.49	5.84	5.57	5.89	5.80	5.72	5.83
Deutsche Bank	16.61	5.52	5.47	5.67	5.43	5.35	5.63
Societe Generale Sec Services	15.61	5.95	6.05	5.93	5.95	5.93	5.92
Citi	8.64	5.28	6.08	5.93	6.03	6.04	6.11
CACEIS	6.64	5.17	5.12	5.09	5.75	5.41	4.99
 <b>GERMANY</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Deutsche Bank	40.40	5.60	5.53	5.81	5.47	5.24	5.51
BNP Paribas Securities Services	27.95	6.42	6.30	6.37	6.31	6.25	6.24
Commerzbank	12.46	5.83	5.83	5.80	6.12	5.74	6.03
Citi	8.42	5.86	5.61	5.58	5.58	5.30	5.70
 <b>GREECE</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNP Paribas Securities Services	33.33	5.85	5.84	6.23	6.04	5.94	5.99
Citi	30.88	5.99	5.71	5.63	5.62	5.66	5.45
Eurobank	14.22	6.03	5.92	5.98	5.89	5.81	5.78
HSBC Securities Services	13.24	5.41	5.40	5.65	5.10	5.29	5.22
Piraeus Bank	7.35	5.80	6.37	6.70	5.80	6.08	6.23

 <b>HONG KONG</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
HSBC Securities Services	29.38	5.85	5.78	5.85	5.67	5.55	5.72
Deutsche Bank	22.91	5.73	5.57	6.07	5.60	5.50	5.80
BNP Paribas Securities Services	12.13	6.35	6.20	6.31	6.23	6.30	6.37
Standard Chartered Bank	11.32	5.31	5.37	5.61	4.91	5.12	4.99
DBS Bank Ltd	10.78	6.92	6.89	6.86	6.86	6.79	6.83
Citi	6.47	6.01	5.45	5.39	5.59	5.91	5.16

  

 <b>IRELAND</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNP Paribas Securities Services	55.42	6.49	6.60	6.57	6.71	6.56	6.40
Citi	32.53	5.12	5.34	4.62	5.28	5.28	4.71

  

 <b>ISRAEL</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Bank Leumi le-Israel BM	38.26	5.64	5.63	5.39	5.51	5.50	5.32
Bank Hapoalim BM	27.52	5.12	5.05	4.93	5.02	5.06	4.90
Citi	26.85	5.38	5.46	5.64	5.46	5.36	5.27

  

 <b>ITALY</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNP Paribas Securities Services	35.54	5.80	5.61	5.95	5.83	5.68	5.66
Intesa SanPaolo SpA	21.49	5.69	5.59	5.84	5.55	5.61	5.55
Deutsche Bank	18.73	5.59	5.59	5.84	5.52	5.54	5.69
Societe Generale Sec Services	15.98	5.72	5.96	5.80	5.69	5.76	5.71
Citi	8.26	5.63	5.54	5.60	5.49	5.50	5.40

  

 <b>JAPAN</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Mizuho Bank Ltd	32.32	6.65	6.58	6.67	6.52	6.47	6.56
Bank of Tokyo-Mitsubishi UFJ	31.04	6.25	6.23	6.19	6.18	6.25	6.08
Sumitomo Mitsui Banking Corp	15.52	5.84	5.74	5.87	5.67	5.61	5.68
HSBC Securities Services	11.70	5.89	5.78	5.96	5.59	5.65	5.89
Citi	7.63	5.89	5.87	5.76	5.76	6.00	5.34

  

 <b>KOREA</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
HSBC Securities Services	44.65	5.85	5.52	5.60	5.66	5.46	5.58
Deutsche Bank	23.27	6.16	6.11	6.17	5.46	6.11	5.78
Standard Chartered Bank	14.47	5.82	5.34	5.60	5.46	5.39	5.16
Citi	8.18	5.64	5.41	5.57	5.49	5.68	5.13

  

 <b>NETHERLANDS</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNP Paribas Securities Services	49.12	5.89	5.56	5.86	5.88	5.83	5.87
Deutsche Bank	19.74	5.27	5.45	5.66	5.37	5.41	5.72
Citi	15.35	5.66	5.74	5.48	5.77	5.86	5.61
ABN Amro NV	6.58	3.90	4.64	4.64	4.36	4.37	4.67

  

 <b>NEW ZEALAND</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
HSBC Securities Services	42.96	5.99	5.39	5.59	5.59	5.42	5.38
J.P. Morgan	15.49	5.33	5.35	5.01	5.14	4.90	5.41
Citi	14.79	5.52	5.79	5.58	5.53	5.39	5.52
National Australia Bank	13.38	5.15	5.35	5.39	5.66	5.16	5.07
BNP Paribas Securities Services	9.15	6.52	6.22	6.36	6.43	6.21	6.56

  

 <b>NORWAY</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
SEB	39.06	5.67	5.66	5.97	5.63	5.55	5.70
Nordea	27.90	5.59	5.45	5.33	5.51	5.46	5.45
DNB	24.46	5.85	5.67	5.95	5.49	5.74	5.63

 <b>PORTUGAL</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNP Paribas Securities Services	52.40	5.88	5.60	5.75	5.85	5.72	5.74
Citi	15.87	5.02	5.28	5.36	5.29	5.48	5.15
Millennium bcp	13.94	5.42	5.29	5.97	5.41	5.23	5.53
Deutsche Bank	11.06	5.49	5.84	6.03	5.78	5.78	5.69
 <b>SINGAPORE</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Deutsche Bank	21.07	5.84	5.47	5.61	5.84	5.69	5.58
DBS Bank Ltd	20.69	6.00	5.70	5.74	5.55	5.62	5.57
HSBC Securities Services	18.77	5.89	5.70	6.06	5.55	5.56	5.69
BNP Paribas Securities Services	14.94	6.45	6.32	6.34	6.36	6.24	6.25
Citi	8.05	5.91	6.10	5.74	6.20	5.95	5.63
Standard Chartered Bank	8.05	5.22	5.31	5.52	5.10	5.08	5.06
 <b>SOUTH AFRICA</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Standard Bank of South Africa	40.20	5.59	5.48	5.62	5.44	5.46	5.46
RMB Custody	21.11	5.48	5.46	5.61	5.25	5.38	5.31
Nedbank Ltd	17.59	5.77	5.93	6.28	5.72	6.08	6.20
Societe Generale Sec Services	12.06	4.80	5.16	4.95	4.99	5.05	5.01
 <b>SPAIN</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNP Paribas Securities Services	36.39	5.54	5.26	5.63	5.54	5.44	5.42
Santander	23.89	5.59	5.39	5.52	5.14	5.44	5.26
Deutsche Bank	17.22	5.33	5.28	5.42	5.25	5.05	5.55
Banco Bilbao Vizcaya Argentaria	10.83	5.55	5.68	5.63	5.51	5.43	5.36
Citi	5.83	5.89	5.07	5.23	5.05	5.23	5.33
Societe Generale Sec Services	5.83	6.00	5.42	6.05	5.49	5.39	5.82
 <b>SWEDEN</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
SEB	74.29	5.73	5.66	5.99	5.56	5.46	5.60
Nordea	12.38	5.67	5.69	5.57	5.53	5.54	5.59
Handelsbanken	9.52	5.31	5.43	5.26	5.13	5.20	5.23
 <b>SWITZERLAND</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Credit Suisse AG	31.93	5.43	5.36	5.42	5.25	5.32	5.41
BNP Paribas Securities Services	28.92	6.07	5.63	6.32	5.98	5.88	6.15
UBS Switzerland AG	18.98	5.37	5.56	5.41	5.50	5.38	5.49
SIX Securities Services	13.25	6.18	6.26	6.06	6.10	6.04	6.11
 <b>UK</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNP Paribas Securities Services	29.82	6.51	6.48	6.56	6.63	6.51	6.43
Citi	23.16	5.28	5.32	5.10	5.52	5.46	5.07
HSBC Securities Services	21.75	5.41	5.25	5.76	5.48	5.20	5.50
BNY Mellon Asset Servicing	10.53	5.32	4.92	5.25	5.20	4.96	4.93
 <b>UNITED STATES</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNY Mellon Asset Servicing	25.00	5.17	4.84	5.12	5.39	5.16	5.28
Brown Brothers Harriman	23.30	5.03	5.11	5.07	5.42	5.03	5.01
Citi	18.69	5.60	4.92	5.33	5.82	5.56	5.40
BNP Paribas Securities Services	16.75	6.08	6.03	6.25	6.15	6.00	6.04
J.P. Morgan	6.55	5.66	5.24	5.64	5.73	5.63	5.70
<b>ICSD</b>	Market share (weight of responses)	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Clearstream Banking SA	39.94	5.87	5.72	5.86	5.81	5.68	5.74
Euroclear Bank	39.12	6.00	5.72	6.16	5.90	5.84	5.97
SIX Securities Services	18.79	6.23	6.09	6.18	6.32	6.03	6.13