

Agent Banks in Frontier Markets



Opening a new frontier

Survey provides additional focus on these small but challenging opportunities.

This year marks the first in which our traditional Agent Bank Survey Emerging Markets has been divided into two separate surveys covering frontier and emerging markets. It became apparent that a magazine trying to cover such a large number of markets at one time was an overwhelming process for providers, respondents and the writers of the survey itself. Rather than repeat a burdensome process for all involved, the editorial leadership of the magazine decided on an alternative solution. As a result our magazine has broken the survey into two parts. The first part, our emerging markets survey covered 22 countries and was published in the winter 2014 the magazine. This current issue now contains our Frontier Markets Survey, which covers some 44 markets. The division between markets closely track the MSCI Emerging and Frontier Markets Indices. There is some variation between our survey and the Indices based both on the historical organisation of the survey and the level of response received in some of those markets. Furthermore, we have not limited ourselves purely to the markets on the MSCI Indices. Instead we have and will continue to cover the countries where cross-border investment and sub-custody occur, which are of interest to our readers and for which we receive feedback from our respondents. This holistic approach is a hallmark of the thoroughness of the surveys that our readers find most valuable.

The presentation of this survey is based on our Major and Emerging Markets Surveys and includes scores for each provider in six, core service categories, a write-up on the main providers in each country and a short piece on market background. However, there is some variation. In this survey, we have chosen to arrange and present the markets according to the following regions: Africa, Americas, Asia, Europe and the Middle East. In some cases, such as in the Latin markets or the Baltic markets within Europe, response and commentary was limited so we have chosen to write up those markets in regional review rather than on a market-by market basis.

It should be noted that our Frontier Markets Survey was a dramatically shortened questionnaire focusing on six core service areas. The goal of this approach was to lighten the burden on respondents and to focus on commentary rather than a lengthy list of standard set of questions in markets where infrastructure, regulation and services delivered are anything but standard. Having established the new approach across all markets we intend this to become the standard in the years ahead. While questions and presentation structure must adapt to the changing environment, our goal is to keep any alterations to the minimum level consistent with ensuring its relevance and credibility. A number of respondents have requested that we give them the opportunity to complete each

of the three pieces, Major, Emerging and Frontier markets at times convenient to them recognising their own workflows. Standardising around the new framework means that we will be able to accommodate these requests as well as making the process more predictable for providers of services.

The intention of the various changes is to make the process easier for respondents, on whose efforts everything is predicated. We will be seeking their direct input on all the changes we have made in the coming weeks. In the meantime, on behalf of ourselves, our readers and their service providers, we once again thank them for their efforts in allowing us to create the Frontier Markets Survey that follows. ■

Methodology

In keeping with our efforts to simplify the Agent Bank Surveys for respondents, readers and providers the Frontier Markets Survey incorporated a number of changes in 2014. The most important was that there was a division in the markets once published entirely under the Emerging Markets heading. Some 22 more developed markets were divided into our Emerging Markets Survey this year and the remaining markets for which we received client feedback for were published in our current Frontier Markets Survey.

The second most important change was that our questionnaire was significantly reduced to just six questions, asking respondents to rate six core areas of service capability as follows: Settlement, Asset Servicing and Safety, Relationship Management and Client Service, Technology, Ancillary Services and Value Delivered. Respondents were then encouraged to leave detailed commentary at the end of the questionnaire.

As in the Major Markets and Emerging Markets Surveys results just cover cross-border/non-affiliated respondents. No domestic responses were included. Cross-Border is determined by the location of the client, not the assets. So a response from a domestic client who happens to have foreign investments will not be included in the survey. As in the Major Markets Survey we have not sought to distinguish any so called "leading" client responses.

Once again we have retained the seven-point scoring scale (7.00 being excellent; 6.00, very good; 5.00, good; 4.00, satisfactory; 3.00, weak; 2.00, very weak; and 1.00; unacceptable). Responses were weighted, as were questions, in a manner consistent with previous years. As with our other Agent Bank Surveys there was no substitution of historic information into the scores where respondents had not included a score.

We received very positive commentary from readers concerning the transparency of scoring that was included in both our Agent Bank Surveys. Therefore, we are following the same approach for this survey. So once again CB/NA scores for all major providers in each country are presented in tabular form, covering each of six areas of service

For the reasons mentioned in our other surveys, we do not intend to create any kind of overall score for individual providers. We recognise that providers will be tempted to create overall scores for themselves and draw conclusions about overall performance, relative and absolute, from the data that we have published. We regard such approaches as at best ill-advised and at worst misleading, for both internal and external audiences, given the heterogeneous nature of responses received. However, we are realistic enough to recognise the natural human desire to create patterns and lists, and, therefore, expect such usage to continue. For provider institutions who wish to receive a more considered analysis of the implications of the responses and comments that they have received, *Global Custodian* will again make available research reports that analyse individual provider results in an appropriate context and to a relevant depth.

Europe



BOSNIA-HERZEGOVINA

Bosnia-Herzegovina splits itself into two political entities, Republika Srpska and the Federation of Bosnia and Herzegovina. Each is responsible for the regulation and development of their capital markets; thus there are two CSDs and two stock exchanges. And among all the entities, there have been a number of important changes. Most notably, the market has moved from T+3 to a T+2 settlement cycle, and this applies at both CSDs. At the Central Registry of Securities Banja Luka (Srpska CSD), the liquidity reserve has been abolished, and payments related to block trades can be done directly between the buyer and seller or by using the CSD's cash account held with the Central Bank. Additionally, the Banja Luka Stock Exchange opened up its money market to trading at the beginning of 2014. In the Federation of BiH, sub-custodians must now collect information about beneficial owners for every single trade, and the information must be included in all settlement instructions, in order to comply with anti-money laundering regulation. Finally, the Federation of BiH CSD can now act as paying agent for issuers, thanks to a change in regulation.

Raiffeisen Bank International

The Austrian Bank receives one of its largest collections of responses in this small market, and the clients responding here make a nearly complete overlap with last year. Familiar gripes about corporate actions pop up again this year. "Corporate actions information are not always delivered in a timely manner," says a client. But the issue does not seem to have affected the scores for Asset Servicing and Safety, which rose by 27 basis points this year. Despite a practically insignificant decline in Settlement scores, the bank still gets a shout out for its "great settlements system." But the bank finds its strength in Relationship Management and Client Service, which earns an average score that is better than "very good," and comments reflect this. "[We are] happy to work with them. Their services have real added value," says one European client. Another from across the Atlantic adds, "We currently have no clients

investing in Bosnia, but we view RBI as a willing and able partner in this frontier market."

UniCredit

"Sub-custodian exhibits quality service despite low volume of activity in market," says one client. And perhaps the low volumes go some way to explain the lower response levels compared to last year in this market. UniCredit is servicing a collection of clients comprised mostly of global custodian and custodian banks. The total number of respondents in the survey represents roughly a quarter of the bank's entire client base in the market. While scores fell in 2013, there is some reprieve this year, as the bank improves its scores in the core service areas of Settlement and Asset Servicing and Safety. But like many of the banks with bigger networks in the survey, UniCredit suffers in the area of Value Delivered, where scores drop some 50 basis points.

BULGARIA

Bulgaria has been a busy market. The corporate income tax was amended at the beginning of 2014. As a result, interest income from bonds and other debt securities issued by resident legal entities, and admitted for trading on BG/EU/EEA regulated markets, will be exempted; interest income from loans granted by foreign entities and issuers of bonds or other debt instruments will also be exempted, provided the issuer is a taxed resident in the EU or EEA, and the instruments are admitted for trading on EU or EEA regulated markets. There were also numerous changes at the local CSD, ahead of the implementation of a new IT system that will introduce significant changes to the market infrastructure. These include the split of CSD functions into a register of financial instruments and a system for clearing and settlement, the introduction of SWIFT communication, a second daily settlement session, new types of membership (clearing, direct, non-clearing), buyer protection and market claims regulation, the establishment of a settlement guarantee fund, distribution of corporate actions information and a centralised securities pool to facilitate securities lending. The CSD has spent the past year testing the system and expect to make the switch in April.

Citi

This marks the first full year of service by Citi, since it bought the CEE sub-custody business of ING Bank back in 2013, and client commentary would seem to indicate a smooth transition. "Excellent first year in the market for Citibank," says a global custodian. "Volumes remain low, but level of support cannot be faulted." Another praises the bank for its dependability and the "high-quality" of its services. Furthermore, the bank sees dramatically improved scores in every service area (except Technology and Value Delivered, where the declines were miniscule). In fact, Settlement and Ancillary scores rose some 33 and 39 basis points respectively, while Relationship Management and Client Service jumped a dramatic 59 basis points.

Eurobank

“Ability to solve any issue,” is the flattering assertion of the Greek bank by one of its clients in the market. And in truth, none of the bank’s clientele have a complaint to list in the comments section of the survey. Furthermore, the client who previously complained that the bank failed to keep them informed of both “market developments and developments within their organisation,” returns this year with the following praise: “Eurobank is very client oriented and is willing to actively assist us to meet our expectations.” “Customisation in reporting” and “Customised reporting to our needs” were the ambiguous comments left by two separate clients, but given the scores of “excellent” that they assign Eurobank in Ancillary Services and Technology, one can be reassured that they are most definitely pleased.

Raiffeisen Bank International

Raiffeisen receives a smaller collection of responses in Bulgaria, and that perhaps is reflected in the more modest set of scores received by the bank, in comparison to those received in other markets. Client comments also seem to indicate that the market seems to present challenges particularly in the area of Asset Servicing and Safety, although the local average and this provider’s score wouldn’t seem to indicate it. “In general [there are] pretty short deadlines for Corporate Actions,” says a European bank. “[But we find] no particular weaknesses [in] flexibility, relationship management or service quality.” Not surprisingly, smaller clients award the bank higher scores than their larger peers.

UniCredit

This year marks a second year in decline for UniCredit Bulbank. It had been one of the franchise’s better performers within the Balkan markets last year, so it is surprising to see it tumble to the bottom of all the bank’s operations in the frontier markets. Scores are down across the board, with two out of three service areas falling from previous levels of “good” into merely “satisfactory” territory. Perplexingly, client commentary is devoid of any explanation for the deterioration. In fact, clients express nothing but praise, with one client offering that “UniCredit is a well-established actor in [the] CEE region, delivering a good-quality service to its clients,” while another says that UniCredit “is proactive regarding corporate actions documentation [and is] lobbying the market regarding tax issues (documentation regarding investment funds is burdensome and even if presented, not accepted for tax relief).” And perhaps this is an indication that the bank’s scores suffer more as a result of the limitations of the market.

CROATIA

Like its neighbour to the south, Croatia has made the migration from a settlement cycle of T+3 to T+2. The change went into effect early October of last year. There have also been a number of changes in the tax code, including an adjustment regarding the taxation of profits in dividends



and shares paid to non-resident legal entities, as well as the introduction of a tax on interest for 2015 and capital gains for 2016. In terms of infrastructure, the Croatian, Bulgarian and Macedonian Stock Exchanges have formed a joint company based in Skjope and plan to establish a common platform among the three. It is their hope that other local exchanges will join to create a regional exchange within the Balkans. The local market infrastructure is set to have a separate clearing agent, operating in accordance to requirements of EMIR, when SKDD-CCP Smart Clear starts offering services this summer.

Privredna Banka Zagreb

The Intesa SanPaolo affiliate (and sole indigenous provider in the market) holds its own against bigger competition in this crowded market. It can be proud of both the names on its respondent list as well as the scores that they have assigned. In fact, scores are up in all services areas – save Value Delivered, which has proved to be a bête noir for many providers in the survey – and most handsomely for Settlement, which gained some 42 basis points. In the face of scores like these (the bank beats the local averages in all but two service areas and beats every global average), a dearth of comments indicates that clients are satisfied. But at least one took the time to comment that its “sub-custodian is very dependable and exhibits high-quality service.”

Raiffeisen Bank International

RBI leads the market with an overall score that misses achieving a level of service “excellence” by the skin of its teeth. Moreover, the bank exceeds both the local and global averages in every service area. That said, the bank’s collection of mostly European respondents, while not shabby, is missing the bigger (and more demanding) global names that make their way on to the competition’s roster. But with scores like the ones it is returning for Relationship Management and Client Service, the bank is sure to turn heads and maybe even woo away a client or two from its rivals. Surprisingly for a bank earning such high marks, client comment is subdued rather than effusive. “Flexible customer service,” notes one client. “Very helpful [in] assuring correct setup,” says another. A third client is “overall very satisfied with the provided services.”

Société Générale Securities Services

SGSS is the minority service provider in a market crowded with agent banks, and it is going to need to earn better-than-average scores if it wishes to gain a bigger piece of the pie. It doesn't help the bank's efforts this year that its level of response is down. With smaller samples, there is more volatility in the scoring, which could help explain the drop in numbers across all service areas. That said, the limited client comments, certainly bare out the scores. The bank's strongest service is Settlement, and one client offers praise: "Great settlements system." And where there is criticism ("We need more flexibility from this provider,") there is a score to match: Relationship Management and Client Service is the bank's worst ranking service area. Luckily though, it is the one that is easiest to fix.

UniCredit

UniCredit owns many of the best names in this competitive market. But those clients are also the most demanding, which can help to explain why this sub-custodian's scores are lagging the local averages, despite improvement. In fact, the bank betters its scores for the core services of Settlement and Asset Servicing and Safety, as well as Relationship Management and Client Service, while only receiving a slight ding for Technology. Clients remark that the bank is "well-established" and "dependable", and that its service is "high-quality" and "consistent." Complaints in the comments are noticeable only by their absence. Nevertheless, the bank will have to continue to work hard to retain its client base, and it will want to address its low score for Value Delivered.

CYPRUS

March 2015 marks the second anniversary of the financial crash that shut down the country's banking system for two weeks, and led to enforcement of capital controls. The market has been recovering slowly, thanks in part to its resilient tourism and business servicing sectors. It has also benefited from the migration of business from Lebanon, thanks to conflict in the region. The Central Bank has announced that



capital controls will be lifted this year. In spite of the crisis, the market still has ambitions to make itself an investment fund centre for Europe; the local authorities have acted accordingly, by enacting a new alternative investment funds law. In terms of infrastructure, the Cyprus Stock Exchange has gone about restructuring itself into two markets: regulated and unregulated. It should be noted that HSBC is also present in the market, but did not receive enough response for assessment.

BNP Paribas

It has been two years since Cyprus's economic crisis hit, but clients have not forgotten. "BNP Paribas is a very good and reliable provider in the Cypriot market," says one client gratefully. "Their help in navigating the issues during the crisis was excellent." Furthermore, scores are up for Relationship Management and Client Service by 50 basis points. Nevertheless, the French bank is servicing the cream of the crop in this market, and scores for Settlement and Asset Servicing and Safety suffer for it. Like many other providers in the survey, when it comes to Value Delivered clients are making their voices heard, by giving the bank significantly lower scores. However, they still remain comfortably at the level of good, and as one client remarks, "[BNP is] always focused on the end customer."

Citi

Like other agent banks in the survey, Citi services the Cypriot market remotely from Athens, and there are shout-outs to the local team from its customers. "Done through Athens team – definitely high-level service [that is] fast and efficient," says one client, meanwhile another says, "No activity for the Cypriot market, but excellent support from the relationship team in Athens." Indeed, the market is recovering, so it is not surprising to see low volumes of activity, and a respondent base that is less than half of what it was last year. Of those responding this year, all save one rated the bank in 2013 as well, and the scores that they assign are improved for the most part; except one client notes particular displeasure with Settlement scores, finding them to be less than "satisfactory." And in keeping with a survey-wide sentiment, they also mark that Value Delivered has diminished.

Eurobank

The bank's customer base is composed predominantly of Greek asset managers and European banks. Clients of Eurobank are fulsome with praise for "well-informed employees" who are "willing to assist," "very helpful," and provide "accurate and prompt answers." One client describes how the bank "offer[s] tailor-made services to our business needs." Another would like to "highlight the service provided by relationship management (proactivity, responsiveness and flexibility in meeting our needs)." And a third says, "We appreciate the expertise of colleagues and their availability and helpfulness. Asset servicing is of highest quality." Indeed, the bank sees its greatest improvement on 2013 in the scores for Asset Servicing and Safety.

ICELAND

Iceland announced, in December 2014, its intention to exit the capital control regime it has had in place since the financial crisis. This reflects some payments being made to priority creditors, and a general sense of a somewhat more stable economy. The stock exchange, which is part of NASDAQ OMX Group, remains small with fewer than 20 companies listed. Many of these are small, and the market as a whole is regarded as relatively illiquid. The once dominant financial sector disappeared from the public listings, following the crisis in 2008, but the principal banks remain in different form. As well as the two banks profiled below, Arion Bank, which was once called Kaupthing, continues to offer agent bank services.

Islandsbanki

Islandsbanki remains the most important agent bank in Iceland, accounting for around 60% of responses based on weight. Its scores are marginally below the market average, except for Value Delivered. Client comments suggest that volumes are very small, even for major global custodians, and as such no bank has much opportunity to shine. Scores therefore tend to the default 5.0 (Good) level in most areas. Islandsbanki is considered helpful and constructive, when required, but opportunities to demonstrate capability are too limited to offer scope for differentiation.

Landsbankinn

Landsbankinn is the second most important subcustodian in the market. It is described by one client as a “dependable sub-custodian in a small market”. The low level of responses makes scores volatile and easily impacted by individual respondents. While scores look somewhat disappointing superficially, in fact they are reasonable when taking into account the number and nature of respondents. Although scores are below those achieved by Islandsbanki, the differences were not material enough in any category to suggest that major shifts in business are likely to occur, especially when volumes are so low.

KAZAKHSTAN

The Kazakh economy has been slowing, thanks to a spillover of economic woes from Russia, and the economic slowdown in China, as well as sagging oil prices and internal capacity constraints on that oil. In order to bolster the economy, President Nazabayev has announced a \$9 billion stimulus from the country’s oil fund, and is pushing a plan of privatisation and regulatory reform. Foreign investors were left scrambling last year after the announcement early last year that HSBC had struck a deal to sell its business and exit the market by Q4 of 2014. The announcement came just months after the completed sale of UniCredit’s ATF Bank in 2013. The void has now been filled, and both Citi and Raiffeisen Bank International have stepped up with their offer of sub-custody services in the market, although the latter did



not receive enough responses to be assessed in our survey. Limited response were also received for ATF Bank and Kazkommertsbank.

Citi

This is Citi’s debut in the survey for this market. Although there are no scores from prior years to gauge its performance, we can see that across the various service areas, the bank trails local averages. But this may not be an entirely fair comparison, because if we look at the market averages and the individual performances of service providers in the market over the past two years, we find the picture improved as Citi performs on par with those metrics. It will be interesting to see how the bank performs next year, as it becomes more established. But for the time being, customers are willing to give it the benefit of the doubt. “A complex market but support from Citibank is very good,” says one. A second notices that “Citi struggles with responsiveness to inquiries,” but suggests that it “may be related to the increase in volumes, following HSBC’s departure from the market.”

ROMANIA

As per the pan-European Central Securities Depository Regulation mandate, Romania joined some 28 other European markets in moving to a T+2 settlement cycle. In conjunction with change, the Bucharest Stock Exchange and Central Depository introduced segregation of the trading and post-trading systems. Apart from that, the Romanian Financial Supervisory Authority amended the regulation of issuers and securities operations, and the regulation on exercising shareholder rights at general shareholder meetings. This provides additional clarification on shareholder rights, as well as guidelines for capital increases through the conversion of receivables. Additionally, an amendment to the tax code now allows certain non-residents to either appoint a resident fiscal representative in Romania, or file directly with the fiscal authorities. Finally, it should be mentioned that the Erste-affiliated Banca Comerciala Romana offers sub-custody services in the market, although it did not receive sufficient responses for assessment.

Citi

“After [the] takeover of ING activities, Citibank experienced some starting problems, which have been overcome in the meantime,” says a European bank. However, Citi’s scores for this year outrank those earned by ING for the past two years. Still there are declines on the scores that the bank earned from non-ING clients last year, the most notable being for Technology and Value Delivered. And, although Settlement was the one service area to improve this year, there is still a client gripe: “Intra-day settlement is an issue.” But all other comments are positive, like the following, for example: “A difficult end to the year in the Romanian market, but Citibank held firm and looked after the best interests of investors by lobbying against changes and keeping us well informed.”

Eurobank

“We appreciate Bancpost’s excellent, client-oriented support,” says a very experienced client, who also notes that “the ongoing market developments [are] looking very promising for foreign investors.” As with other markets in the CEE region, Eurobank Bancpost is servicing a set of customers composed mostly of Greek asset managers and broker-dealers. However, that is not to say there is not a well-known name or two amongst the bunch. But such a sample of homogenous clients from the bank’s home market make it difficult to draw comparisons with other providers in the market. When their scores are compared to those that the bank received last year, we nevertheless see improvements in all service areas, save Technology. Numerous client comments attest to a “very helpful client service team”, that is “willing to assist.”

Raiffeisen Bank International

The Romanian market sees a varied mix of banks, asset managers and brokers-dealers (based predominantly in CEE) respond for the Austrian bank. Among the group, asset managers and broker-dealers hand the bank a higher set of scores, with averages in the range of “very good.” Scores from banks, which are in the minority are mostly in the mid-fives. Continuity between clients this year and last is almost nil, making comparisons between 2014 and 2015 less useful. Overall, the bank bests the global average for all service areas,



and it beats the local averages more often than not. Despite the high set of scores that they assign this provider, clients are unusually silent when it comes to leaving comments.

Société Générale Securities Services

When it comes to cross-border business, the French bank has traditionally had a rather inconspicuous presence with domestic clients dominating its business. This year is no exception, albeit its response level for foreign customers is higher than it was last year. There is a minimal overlap of its respondents between this survey and the last, but scores are still up overall in all service areas. New respondents give this provider its best scores, but a closer examination shows that one returning respondent in particular has seen definite improvements over the course of the past year.

UniCredit

“Qualified relationship managers” is what one European bank likes best about this Austrian bank. Unfortunately though, he appears to be in the minority. Scores are down, but none has seen such a precipitous drop as Relationship Management and Client Service. Client comments are lacking on the subject. A closer look reveals that the bank is being rated by a smaller group of clients, most of whom did not rate the bank last year. One also sees that UniCredit is, by small measure, a victim of its own success because the clients that it is servicing are among the most demanding and sophisticated within the market. But all is not grim; the bank’s scores for Settlement and Technology beat the global average. And in a market that has been known for challenges with regard to corporate actions, taxation and documentation, there is praise in client comments for the bank’s “proactivity” and lobbying efforts in regard to them.

SERBIA

This past October, some 29 European markets switched to T+2 settlement cycles, but Serbia wasn’t one of them. While there is conjecture that the market will perhaps join this year, normal settlement happens within T+3, but can be negotiated down to T+0. In truth it was a relatively quiet year in 2014 for the Serbian market. The economy struggled with contraction, and inflation has fallen, as the Central Bank continues to lower interest rates. There may be a little more activity this year though, as there have been recent changes to the law on public debt, which aim to enable trading in state securities on the Belgrade Stock Exchange, and to attract international investment funds. This January, a prospectus for Serbia’s first public municipal bond offering was also approved.

Raiffeisen Bank International

After a drop in scores across the board in 2013, RBI will, no doubt, be pleased to find that clients have awarded the bank a set of scores that are up in every service area, save one. The respondent base is made up of 60% of clients who responded for this provider in last year’s survey, and 40% that

are new. Technology was the only area to decline, albeit by a modest amount, and at least one client has specific grumbles about SWIFT reporting. Another client notes blandly: “SWIFT reporting OK.” The same client offers its practical approval in other areas as well: “Support by operational staff good. Few trades, usually no issues.... sometimes there are no notifications prior to payment confirmation...so far so good.”

UniCredit

UniCredit easily earns its best scores in Settlement and Asset Servicing and Safety, which are noticeably stronger than last year. Still it sees its biggest improvement in its score for Relationship Management and Client Service, where there is certainly praise from clients. “Qualified relationship managers” and “excellent relationship management” are the conclusions of two separate clients. Technology may not be the best score relative to the bank’s other service areas, but out of all the UniCredit operations in the region, it earns the highest score on that account. Furthermore, the bank recently enhanced the contents of its SWIFT messaging, related to income collection events, which will certainly be appreciated by its customers.

Vojvodjanska Bank

Vojvodjanska Bank is the only indigenous provider in the region, and it certainly sets the bar in terms of scoring within the market. That said, it is servicing a collection of banks, broker-dealers and asset managers based primarily in the Balkan region, so their needs and demands are not likely to be the same as the respondents for the other two providers in this market. Nevertheless, they are extremely happy with the services they receive – particularly regarding customer service – and that is what counts, and it is also what shows. “We receive EXCELLENT customer service from all parties dealing with our accounts,” is the enthusiastic assessment of one client. “Professional and efficient custody services. We are very pleased with our contact, who is always helpful and available for our inquires,” says another client.



SLOVENIA

Slovenia is one of the more developed markets in the Balkan region. The market has already been trading on a T+2 settlement cycle, and investors have access to OTC trading that can be settled on a DVP, RVP and FOP basis, as well as to securities lending and borrowing. However, this is not supported at the CSD, so buy-in and sell-out procedures are in place. That said, corporate actions continue to be problematic, as they are a mostly manual process, with no standard procedures in place. While the economy of Slovenia has been struggling with high unemployment, a lack of credit and fiscal consolidation, the Ljubljana Stock Exchange has enjoyed continued growth, thanks to the ongoing privatisation in the country. Like many other EU markets, Slovenia is preparing to join the first wave of T2S, and the CSD is expecting to roll out a number of new changes this year in preparation.

Raiffeisen Bank International

Scores for RBI reach levels of “very good” across the board. There are particularly strong results in Relationship Management and Client Service, as well as Asset Servicing and Safety when compared with last year. The latter score is especially impressive, given the challenges presented in terms of corporate actions. Indeed, one client grumbles about the short deadlines given for CA. Other client comments attest to a “very good reporting tool”, and the bank’s “ability to customise their reporting to our needs.” So not surprisingly, there are equally strong (and also improved) scores in Technology and Ancillary Services in accompaniment. When asked to list the bank’s weaknesses, one client says it can find “none [in] particular.”

UniCredit

UniCredit received nearly double the responses of its competitor in the market. The majority of respondents have rated the bank in most if not all of its markets within the region, so it is saying something that the team in Slovenia have been awarded the highest score for Relationship Management and Client Service out of the entire UniCredit network. The remainder of scores, while not outstanding, are decidedly solid, and one gets a sense from client sentiment that clients view the bank as a reliable partner with a trusted background in the market. “Sub-custodian is dependable and exhibits quality service,” is the simple affirmation of one respondent.

UKRAINE

As the crisis in Ukraine rages on, the economy suffers. But life still goes on, and the market continues to function in spite of the challenges. In April 2014, the government introduced “anti-crisis” tax amendments that lobbied a 0.5% pension insurance duty on the purchase of foreign currency in Ukraine; but it was lifted in January. Additionally, the excise tax on transactions with securities and derivatives was abolished on the first of this year. Authorities also introduced



new FX restrictions. Specifically, 75% of incoming foreign currency payments must be converted into the local currency. Foreign currency purchases will be possible on the fourth day after the date of their transfer into a transit account. The repatriation of funds received from the sales of securities (excluding debt securities sold on the stock exchange), corporate rights (excluding shares) and dividends have been put on temporary restriction. Purchasing government bonds must be done on the stock exchange, and entirely for funds received in selling foreign currency against Ukrainian Hryvnia, as well as for funds received by foreign investors from the sale, coupon payment or redemption of local government bonds.

Citi

Citi may lag its competitors in this market, but you would not know it from the comments that the bank receives. Clients are particularly appreciative of its knowledge of, and ability to, navigate a market in flux. “Sub-custodian is very dependable and exhibits high-quality service in this complex market,” says one global custodian. “Complex market but Citi has a strong knowledge of it,” says another. And while a third admits that it

has “too little activity to comment on some topics,” it still offers some kudos. “Support and product knowledge is outstanding.” That said, one client complains that: “Proxy vote confirmations could be more automated if sent via SWIFT.”

Raiffeisen Bank International

Raiffeisen takes a close second in Kiev, with scores that are improved in two out of three services areas. Scores for Client Service and Relationship are up for the third year in a row, and client comments attest to this. “Their relationship management team is a plus,” says one client. A second appreciates that “[they] are very helpful with our day-to-day queries.” Furthermore, the bank better the global average in every service area, and locally it beats the averages in all but two categories: Settlement and Technology. The bank will want to pay attention here, because clients ticked them off on these accounts, and the decline from last year is in the double digits.

UniCredit

“All the services are delivered on the best level,” says a client. It is a comment borne out by the scores. Without a doubt, UniCredit Ukrainsbank is the jewel in the Austrian bank’s crown, and within the market, it is the service provider to beat. Even Value Delivered, an area that has been problematic for the bank in this survey, receives scores that are more than “good.” Response levels are (rather understandably in this troubled market) down, but the bank has earned consistently high scores across the past three years, and it shows in client comments. “Unicredit is our old and reliable partner for many years, and we are very pleased to work with them,” is one happy conclusion. “[We have] work[ed] with UniCredit for many years and we are very happy to receive the unchanging, best level of services on the market,” is another. ■

The Baltic States



NASDAQ OMX owns the central security depositories (CSDs) of the three Baltic states covered in the survey, as well as others in Northern Europe. The Tallinn Exchange in Estonia was fully acquired by NASDAQ OMX in 2010; therefore

becoming NASDAQ OMX Tallinn. During the same year, the Latvian stock exchange officially changed its name to NASDAQ OMX Riga. As a result of acquiring the remaining 60% of its shares from The Bank of Lithuania, NASDAQ OMX completed the acquisition of the CSD of Lithuania (CSDL), in January 2012. The Lithuanian stock exchange is therefore currently known as NASDAQ OMX Vilnius. Together, these three exchanges form NASDAQ OMX Baltic.

On October 6 2014 all NASDAQ OMX Nordic and Baltic exchanges implemented T+2 standard settlement, having previously offered one additional business day in most countries (T+3). NASDAQ’s Baltic exchange equity list consists of 34 main companies, and 43 secondary companies in which shares are traded. Of the main 34, 16 are Lithuanian, 13 are Estonian and the remaining five are Latvian. Of the 43 companies listed under the secondary shares options, 17 are Lithuanian, two are Estonian and 24 are Latvian.

Having been severely hit by the fallout from the 2008 financial crisis, the Baltic states have enjoyed a fairly steady recovery since 2010. Latvia’s economy was the fastest growing

economy in the EU, in 2014, followed by Lithuania, with Estonia seeing lower, but still very creditable growth. Geopolitical issues obviously will not go away, and that may negatively affect all the economies. It may also act as a deterrent to some overseas investment into the countries, and their securities markets. However, over time, while they will always be small markets, they may well prove attractive, and consequently see growing interest in, and activity by foreign investment managers.

PROVIDER PROFILES

Provision of sub-custodian services in the three Baltic states of Estonia, Latvia and Lithuania is dominated by SEB and Swedbank. Generally SEB receives more responses than Swedbank, and two other banks also received responses for one or more of the countries. In most cases clients use the same sub-custodian in all three countries, and service provision is generally quite homogenous, despite whatever local differences may exist between the local markets themselves.

SEB

SEB is used in the Baltic states by a number of the largest global custodians, all of whom are generally satisfied with services. Its most dominant position is in Lithuania, where it accounted for more than 70% of the responses, based on weight of respondents. In Latvia, the corresponding figure was 57%, while in Estonia it accounted for 50%. In all three locations Settlement was the category in which the highest scores were achieved by SEB, paralleling the overall market scores. Given the importance of SEB in each case this is not surprising. Technology, and Cost and Value Delivered were the areas that received the weakest scores. In Latvia, both areas achieved an average score of less than 5.0, while in Estonia this was only the case for Technology. All other categories achieved a score of better than 5.0 in all three countries.

Clients regard SEB as a “dependable sub-custodian” that benefits from operating in “quite stable” markets. One client specifically commented on the fact that, when required to do so, SEB delivers “very good service and assistance”. One client, though generally considering services to be “very



good”, nevertheless felt that there might be some room for improvement, in terms of deadlines and timeliness. However, there is no reason to suppose that SEB will not maintain its market leading position for the foreseeable future.

Swedbank

Swedbank is very definitely the second player in the Baltic states, in terms of clients using its sub-custody services. However, it enjoys support from a number of very important global custodians, and clearly has a well-established business with a number of keen advocates. One European bank commented that, “Swedbank is one of our best providers”. Another client praised the bank for its “very good product support and excellent relationship management”. While all clients agree that volumes are low in all three countries, they nonetheless appreciate the commitment of Swedbank to the further development of the business. In terms of market share, based on weight of respondents, Swedbank accounted for 45% of the Estonian market, 40% of the Latvian market and 24% in Lithuania. At this level, and given some of the important names it has as clients, Swedbank appears to be well established in the market. Its on going challenge will be determining how to match the capability of SEB, which has a far wider and deeper regional presence within the Nordic countries.

In terms of scoring, Swedbank did very well in relative and absolute terms. Its scores were better than 5.0 in all six categories, in each of the three markets involved. It achieved an average score of 6.0 (Excellent) in Lithuania for Settlement, which was the highest scoring aspect overall. Consistent with the generally positive comments received, the second highest scores were recorded in Relationship Management and Client Service.

Nordea

Nordea is active in all three Baltic countries. However, based on the responses received, its market presence is some way behind that of SEB and Swedbank. As might be expected, given the low volumes, scores were solid without being particularly strong. The highest scoring area was Relationship Management and Client Service; this is, however, a key strength of all competitors in these countries. ■



Middle East



BAHRAIN

This past September the Bahrain Bourse celebrated its 25th anniversary, and it has been a busy year for the exchange, which has included separate linking agreements with both the Kuwait CSD and Dubai Stock Exchange in order to allow for the transfer of securities listed on the exchanges of the respective markets. BHB also commissioned a new technology upgrade from Nasdaq OMX, replacing their old trading system. The exchange also continues to demonstrate a commitment to developing new products. For example, BHB is in the process of launching an entirely new trading platform, Bahrain Investment Market, which will allow small and medium sized companies, who could not afford an IPO, to list themselves on the exchange. Finally, it also announced that it will be launching a trade repository this November that will act as a real estate investment trust. This comes on the tale of “New Market Rules” issued by the Bourse, to allow for the trading of additional instruments including options, ETFs and REITs.

HSBC

The majority of scores are strongly entrenched at the service level of “good,” although they are down slightly on last year. But according to one client, the bank is already on its way to turning that around. “HSBC Manama has recognised that client attention needs improvement, and action has been taken,” says the client. “Looking forward to improvements.” Another customer also has positive words for the bank: “HSBC performs well and has a solid understanding of the market.” Nevertheless, the bank will want to look at what it delivers to clients in return for the fees that they pay. Scores for Value Delivered are significantly down – and not just in this market.

JORDAN

The Jordan Securities and Exchange Commission, under the advice of the Central Bank, has recently simplified the requirements for foreign investors to do business in the Arab state. The new rules allow international brokers and fund managers to start trading on behalf of clients holding

existing custody accounts with local custodians, once they sign an agreement with local brokers. This eliminates the need to file power of attorney agreements and establishment documents from beneficial owners. In addition to this, the Jordanian Senate approved a new tax law for 2015, the notable change being that withholding tax has risen from 7% to 10% and cannot be reclaimed. Finally, the Amman Stock Exchange issued a circular with a number of rule changes aimed at providing more security in trading at the ASE.

Bank of Jordan

After the sale of its banking business to Arab Jordan Investment Bank, HSBC effectively exited the market in June of this past year. While some clients may have migrated with the entry of an established provider like Standard Chartered into the market, the clients who remained are pleased. And grumbles or complaints about the transition are less noticeable in light of their absence. In fact, scores are robust and respondents are positive. “Very good service provider,” says one client, while another is more effusive: “BOJ becomes the major custodian in the Jordan market. Operation meets standard expectations, and client management is outstanding.”

Standard Chartered Bank

SCB did not hesitate to take advantage of the opportunity to expand its footprint in the region when HSBC announced the sale of its Jordan operations to a local investment bank in January 2014. By May of that year, the Asian bank had already opened the doors of its sub-custody business in Amman, and by all accounts, its entry was a success. One client notes that there were inevitable bumps in the road: “Some issues in account opening as a result of major provider transition in the market and the simultaneous introduction of new market regulations.” However, clients seem impressed with the bank’s ability to set up shop quickly in new market: “SCB managed the inflow of new business from multiple global custodians very well, with few issues in a short period of time”.

KUWAIT

Kuwait Clearing Company, the local CSD, signed an agreement with Bahrain Bourse last year, to put in place new procedures, and an electronic system to transfer the shares of companies listed in the respective stock exchanges of each market. That said, respondent comments in the survey indicate that the KCC needs to attend to some internal housekeeping, as they have encountered problems with the CSD’s settlement process, confirmations and real-time settlement. It should also be noted, that, although it did not receive enough responses to warrant a formal assessment in the survey, National Bank of Kuwait did receive limited feedback in the survey. However, one client left detailed commentary: “Relationship management is good. Custody system needs many enhancements to improve confirmations and reporting. The fees are very high for the level of service provided (many manual processes).”



HSBC

HSBC is servicing a clientele comprised entirely of banks, nearly all of which rated the bank last year. They award the bank scores that are up as much as down, and place Kuwait in second place among HSBC operations in the region. In two of the areas where the bank loses points (Settlement and Technology), the decline is negligible. However, the drop in scores for Value Delivered are in the double digits. However, to be fair, this particular service area has been a bug bear throughout the survey, and comments are full of praise. “Still the custodian of choice in Kuwait,” says a European client. “Even if latest regulations [have] brought in some additional hurdles, [the] HSBC team was able to manage account opening properly.” An Asian counterpart adds politely, “We’re satisfied with their accurate and kindest services.” And a third client from North America also lauds the bank for its “proactive relationship management.”

LEBANON

Activity in the economy and on the Beirut Stock Exchange has taken a hit over the past year, mostly due to political and security threats put on the country by destabilisation in the region. But there seem to be indications of rebounds. The BSE recently reported that total and daily volumes for the first two months of the year were more than 150% what they were at this exact time in 2014. Furthermore, there has been a push from both the president of the stock exchange and the Central Bank governor with some success to privatise the Exchange. Management at the BSE and the Finance Ministry have approved a roadmap, and are waiting on a decision from the Cabinet, in order to proceed. The BSE has also signed a letter of intent with the NYSE, to launch an advanced electronic system in the next two years. In addition to HSBC, Midclear has long been a second option in the market, and continues to receive a small amount of feedback. The Central Bank-owned CSD offers custody, clearing, settlement, registration and securities and fund administration services.

HSBC

This was a year of overall improvement for the bank. Most scores have returned to the levels that they enjoyed in 2012. And while response levels have dropped slightly, the entire sample of clients rating the bank in the survey this year also rated it in the last. At least one member of that sample couldn’t be happier. “Two words: Simply marvellous!” is the glowing praise given by the private bank. One global custodian has this to offer, “HSBC has a sound understanding of the local market and maintains good relationships with the local market entities. HSBC also performs satisfactory services in the market.” Still the bank will want to pay attention to Value Delivered. It is the one service area where the bank’s scores fell. In fact, this is the second year in a row that the score has declined, dipping into “satisfactory territory.”

OMAN

The Central Bank of Oman has announced plans to issue its first sovereign Islamic bonds (sukuk) by the middle of this year, in order to help finance a budget deficit brought on by the recent drop in oil prices. In addition to the announcement, the Bank, which is also the country’s financial regulatory body, has issued revised guidelines on credit exposure to non-residents and the placement bank funds abroad. It has also reduced the interest rate on capital deposits from 1.5% to 1%. An alternative to HSBC, National Bank of Oman also offers sub-custody services in this market, and for the first time, it receives feedback in the survey. While the collection of response swas too small to draw firm conclusions from, one client had this to say, “NBO’s custody system needs many enhancements, plus NBO need to offer SWIFT reporting.”

HSBC

Oman is HSBC’s second biggest market, in terms of AuC for frontier markets in this region (although it is less than a third of AuC in Saudi Arabia). So it is not surprising that the bank sees a large turnout of clients. As with the bank’s other Middle East operations, there is consistency in the respondent base. It



is made up entirely of banks, all of which rated HSBC in 2013. While service area scores are both up and down, the amounts are very modest, and the total score is an improvement on the past two years. There is at least one moan in the client comments (“SWIFT formatting could be improved to assist with automation efforts,”) but commentary is, for the most part, positive. “[A] very strong performance of HSBC Muscat local team,” says one client. A second says, “Operational personnel are attentive and friendly. HSBC is a dependable sub-custodian with strong knowledge of the market.”

PALESTINE

The Palestine Exchange recently announced the launch of its ISFAH (International Financial Reporting Standards) e-disclosure system. The system was developed in cooperation with the Palestine Capital Markets Authority. According to PEX it will “streamline and organise the disclosure process between the listed companies and other stakeholders including PEX, PCMA, brokers, investors, auditors and analysts.” Currently participation is voluntary, but is expected to be mandatory by the end of the year. In other developments, another player has entered into the sub-custody market in competition with HSBC, who has been a custodian at PEX since 1999. This past September, Cairo Amman Bank signed an agreement with the PEX that will allow it to provide custody services in the market to both foreign and domestic investors.

HSBC

Palestine is a small market with low volumes, and as such there is a smaller group of banks participating her. Their commentary is not surprisingly limited, but one client takes the time to point out the bank’s strengths. “HSBC has a sound understanding of the local market and maintains good relationships with the local market entities. HSBC also performs satisfactory services in the market.” The assessment is one that can be seen reflected in the scores. For example, if you look at the numbers from the past two years, there has been a gradual trend upwards in the scores for Relationship Management and Client Service, while the other service areas (Settlement, Asset

Servicing and Safety, Technology and Value Delivered) have declined over the same period. Some of this undoubtedly is out of the agent bank’s control, given the instability in a country that just experienced a war this past year. But in terms of Value Delivered, that is a service well within the bank’s ability to fix.

SAUDI ARABIA

Plans to open the Saudi Arabian Stock Exchange (Tadawul) to foreign investors during the first half of this year still stand, despite the death of King Abdullah in January. The Tadawul is the biggest stock market in the Arab world, but it is also highly restricted. Only investors from the six-nation Gulf Cooperation Council are allowed to make direct investments in stocks. Investors from outside the Arab States only have access to the market through mutual funds, equity swaps and exchange traded funds. At the time the magazine went to press, draft laws had been issued by the Capital Markets Authority, but were awaiting approval, and the official date for enactment was pending.

HSBC

Saudi Arabia is the biggest operation in the bank’s frontier markets in terms of AuC. But it also has the dubious distinction of being the second-worst performing location when it comes to Settlement scores – only Bermuda ranks lower. In fact, scores here dip below the level of “good.” In 2013 scores dropped from a strong 5.68 to 4.92, making the improvement this year seem minor. Unfortunately, client comments fail to illuminate this deterioration. There are complaints (“Turnaround time for network management queries is too long and needs to be improved. Fees for low asset volumes are not competitive,”) and there are plaudits (“I have never seen such a dedicated local custodian. [I am] very happy and proud to work with HSBC Riyadh,”) and “HSBC has a sound understanding of the local market and maintains good relationships with the local market entities. HSBC also performs satisfactory services in the market,”) with the latter outnumbering the former. ■



Africa



BOTSWANA

Botswana can boast claim to one of Africa's best-performing stock exchanges, as well as the third largest based on market capitalisation in Southern Africa. Nevertheless, the market faces challenges. While trading is automated, matching with the CSD is manual and SWIFT messaging is not enabled. Furthermore, there is only partial dematerialisation, as some corporate bonds must be held by custodians in physical form in vault facilities. But local custodians are pushing issuers to dematerialise to help reduce risk and fraud.

Stanbic Bank Botswana

Scores are down on last year, with about half of the respondents returning to rate the bank. Relationship Management and Client Service as well as Value Delivered are problematic and below the market average, with one client noting that Stanbic "needs to increase efficiency and take care of details when replying to requests". However, one large client who complained about client service last year, returns with praise for the agent bank's flexibility in making format enhancements to SWIFT messaging.

Standard Chartered Bank

Although SCB may be the market leader in terms of both scores and its blue chip client list, overall scores are down a second year in a row. And while Settlement saw a small uptick, the core service areas of Asset Servicing and Safety and Technology saw the greatest declines. One major global custodian complains, "SCB has multiple operations issues with basic internal controls not being followed. The service is poor and the local team is unresponsive." Another, on the other hand, remarks, "Operationally, agent meets the expected standard," but notes that market volumes are low. It is a comment echoed in a couple of the bank's other markets as well.

GHANA

Ghana saw recent changes to streamline market infrastructure and reduce operational and transactional costs this past year. In January 2014, The Stock Exchange Depository and

the Bank of Ghana Depository merged into a single CSD now known as the Central Securities Company. The newly established CSD has also implemented a five-year strategic plan based on consultation from the London Stock Exchange Group as well as local market participants. Despite the work being done, there are still issues to be addressed. Ghana is, as one survey respondent explains, a "difficult market with trading accounts," which "puts high expectations on asset safety measures." And to that end, local custodians are lobbying for custodians to have the ability to view and recall access to client trading accounts held with brokers in order to account for and report any unexecuted securities, as well as the receipt of end-of-day trade reports from the CSD with a 30-minute window to accept, reject or reverse trades. It should be noted that while it did not receive responses, Société Générale Securities Services also offers services within the market.

Stanbic Bank Ghana

Compared with 2013, response levels have fallen and scores have followed suit. The client with a laundry list of requested improvements in last year's review is noticeably quiet this year. It is a sentiment that is reflected in the scores. The bank leads local averages, but scores hang in the range of merely "satisfactory." And while they may not be eliciting praise in the client comments, Stanbic scores are nonetheless consistent across all service areas and among clients. Furthermore, the bank can perhaps look forward to improved scores next year as it has upgraded its core banking system to one with enhanced cash reporting capabilities.

Standard Chartered Bank

While there is slight variation to the estimates, SCB, nevertheless, claims the lion's share of international custody business within the market, as well as responses to the survey. Scores are up and down across the board, and the irregularity can be seen as reflected by the client comments. "SCB has had periods of inconsistency in their service levels but have been doing better as of late," says a client, who adds, "They have a good understanding of the market." Another offers some insight by explaining, "There is no dedicated person to manage the schemes which have been set-up by Stanchart. Queries are normally handled by different people." But there is contradiction from the large bank who says that SCB delivers a "high level of customer service" and is both "efficient and present." This year the bank embarked on a multi-year platform replacement plan that will no doubt introduce a new level automation and consistency for clients.

IVORY COAST

Things are looking up in this small market. Confidence is growing in a market that has seen strong, continuous economic growth of roughly 9% over the past three years, as well as the relocation of the African Development Bank headquarters from Tunisia and the successful launch of a \$1 billion Eurobond in February. The local stock exchange BVRM

also acts as the regional exchange to the other eight member countries in the Western African Economic Union: Benin, Burkina Faso, Guinea-Bissau, Mali, Niger, Senegal and Togo.

SGBI

Just two years ago, SGBI (the standalone subsidiary of Société Générale) was unchallenged in the market. But this has changed, as one client explains, “[We have seen an] increase in client service over recent years, [but the bank] suffers from competition, which nevertheless creates motivation through new challenges.” This observation can be seen in a set of scores that are up across the board – and give rival to the competition – but is based on a collection of responses that are down on the past two years.

Standard Chartered Bank

This is the second year that SCB has featured in our survey of this market. The bank gained an important global custodian client from its competitor during the past year. And while it is quick to point to its system and technology strengths, scores are down on last year and trail the market averages. That said, its rate of response is low, which may account for some of this. According to another major global custodian, “SCB has seen some delays in responses from the operational team, but it seems to be improving. The relationship contact is prompt with their responses.” The bank offers proxy voting to cover all nine WAEMU countries hosted on the Exchange – a service that it says differentiates it in the market.

KENYA

The past year has been a busy one for the Kenyan Market. In fall of last year, the Kenyan authorities voted to bring back a capital gains tax (set at 5%) that was abolished in 1978. The Kenyan Capital Markets Authority has undertaken an ambitious ten-year plan to modernise, strengthen and introduce new products into the market. Some immediate steps have included new anti-money laundering guidelines, the demutualisation and self-listing of the Nairobi Securities Exchange, the introduction of a new broker back office system and a new online settlement system for corporate and treasury bonds, which has allowed the NSE to become completely dematerialised and to increase settlement sessions. Additionally, the Central Bank of Kenya is now requesting that banks and custodians report the beneficial owners of all accounts held at the CSD, and it now flags dormant accounts held at the CSD to curb fraud.

Stanbic Bank Kenya

Stanbic may have fewer responses than its rival in the market, but the clients that have responded award it improved scores, making it the best-scoring location in the bank’s African franchise. The bank has particularly upped its game with Relationship Management and Client Service, which jumped more than 70 basis from a level of “satisfactory” to nearly excellent. “Very smooth onboarding process and excellent local support,” says one happy client who migrated from the



competition. Not surprisingly, the score for Value Delivered also increased dramatically, by just over 60 basis points. Still there are grumbles. “Notification of partial redemptions are untimely and incomplete. Inquiry responses are untimely and lack detail,” says one client.

Standard Chartered Bank

This was not a year of improvement for SCB. Only Relationship Management and Client Service saw a modest gain. Technology, which was the bank’s strength last year, saw the greatest decline. Client comments are varied. One advises that SCB “must increase efficiency and take care of details when replying to requests,” while another complains of irregularity in SWIFT messaging for coupon payments. A third lists “recurring issues with FX,” as a problem. At least one global custodian is more generous in its assessment – “Operationally, agent meets the expected standard. Demonstrated good proactivity communicating recent market issues particularly around reintroduction of [capital gains tax]” – and notes a “strong relationship team locally.”

MALAWI

Malawi is a small market in terms of sub-custody activity, nevertheless there is still interest from foreign investors and particularly from Pan-African funds. Furthermore, the market is taking steps to modernise itself. At the end of 2014, an automated transfer system and central securities depository were introduced with the goal of increasing efficiencies in settlement of interbank financial obligations and securities transfers. The new ATS replaced an existing real-time gross settlement system and Electronic Cheque Clearing House, which have been in operation since the early noughts. Going forward, the CSD will act as depository for all securities issued from the government and Reserve Bank.

Standard Bank

This is the first year that Malawi has featured in our survey because of too little activity in the past. Standard Bank is the main provider of sub-custody services in this small market, and though volumes are low, there is praise from clients. One global custodian offers that “although some challenges have been faced in regard to settlements, Standard Bank provides solid support

in this market.” Interestingly, larger clients, which are normally more demanding, appear to be happier than the smaller ones. Compared with last year the bank saw gains in Asset Servicing and Safety as well as Relationship Management and Client Service, but there was a precipitous drop in the score for Technology.

MAURITIUS

This small island off the coast of Africa in the Indian Sea has long sought to be a leading financial centre. And while it may be one of Africa’s largest offshore centres, its momentum is slow if the AuC’s of participating service providers in our survey are any indication. Nevertheless, as it continues to grow a solid and efficient infrastructure at the stock exchange (SEM) and CSD, which has outsourced its technology to a number of African exchanges and depositories, local regulators, the Financial Services Commission and Bank of Mauritius, which have a reputation of being responsible and responsive to the financial community, have committed to support the market. Additionally, in the past year, SEM has substantially reduced the transaction fees for both turnaround trades and the trading of corporate bonds.

HSBC

Mauritius is the only market on the African continent where HSBC ventures below the Sahara. And it appears at least one client holds it to the standard of its other locations. “Low activity in this market, but unfortunately Mauritius is not one of HSBC’s better locations in terms of service quality,” says the client. “[They are] rather inflexible at meeting client demands and understanding our needs.” While scores may not match the global averages, it can take pride in claiming the position as market leader. And there are clients who sing its praise. “HSBC is a dependable sub-custodian in this stable market,” says one. “Operationally, agent can exceed the expected standard and the local relationship team provides strong, proactive support.” The bank will want to rectify the drop in Value Delivered, however, given there is eager competition on the ground.

Standard Chartered Bank

Mauritius acts as an important hub for the SCB franchise, however, scores and comments indicate that the bank is not quite living up to the standards expected by its clients. In 2009 it began an ambitious multi-year plan to completely rebuild



its core custody and settlement system, so it is troubling to see a steep decline in the scores of Technology and Ancillary Services, which fall into the range of “weak.” But perhaps this can be explained in part by the transition. “Report automation has been an issue specifically with cash operating statements and daily email delivery for our Mauritius hub accounts” is the complaint of one client. Another complains that the “hub account structure [is] not in accordance with market practice,” and notes occasional FX issues. A third client is more generous in its assessment: “[We] are happy with the responsiveness on market information, but response to queries can be improved.”

NAMIBIA

Plans to create a Namibian CSD in the market are currently underway, with the central bank playing a leading role in the project. The creation of a local CSD would introduce DvP for securities transactions and is viewed as a key development for the capital and money markets. The initiative would start with bonds, followed by equity and money market instruments and would facilitate the elimination of paper-backed instruments. Currently all equities, which are dually listed on the Johannesburg Stock Exchange, settle at the South African CSD State. Additionally, a securities transfer tax is being proposed and there is a push to move from pooled nominee account registration to beneficial owner registration.

Nedbank

While the bank’s business is mostly domestic in this market, it nevertheless services a small handful of clients out of Windhoek. Scores from the small sample of respondents are inconsistent, therefore it is hard to draw firm conclusions. However, they do agree on one point – technology – and the score is borne out by the comment of the client who argues that Nedbank “need to look at expanding technology capabilities to that similar to what is seen in the South African market.” But the issue may be more one of perception or may be due to market limitations, since the bank uses the same platform to support both markets.

Stanbic Bank

Clients have ticked Stanbic down in all categories this year. Declines were not insubstantial. Relationship Management and Client Service, which was the bank’s weakest service area, saw only a minimal decline. And most likely can be explained by client comments that are restrained in praise and echo complaints made last year regarding lagging response times and a neglect of international clients. “Generally speaking, a well-presented team with strong regional support” is the assessment of one client. “Adequate operational service provided for a low volume market. However, client service detail and response times could be improved,” says a second, who is not without company, as yet a third remarks, “Standard Bank has constant challenges in non-responsiveness. The requirements of local clients (who hold the majority of their AuC) appear to take priority over foreign clients.”

NIGERIA

New circulars issued by the Central Bank to curb currency speculation, in the face of slumping oil prices and currency, have created FX woes for foreign investors and led to further devaluation. As part of the rules, FX funds must be utilised within 48 hours or else they will be bought back at the current rate at the time of repurchase, with clients bearing the loss. In better news, the Securities and Exchange Commission of Nigeria approved new rules to guide the operation of its Investors Protection Fund early last year, and despite some delays in the past year, the SEC is promising they will go forward with payments this year. Furthermore, the government has suspended the value-added tax on capital market transactions for the next five years. There have also been some settlement changes as well, including a change in the clearing session for cash settlement of securities transactions traded on the floor of the exchange, which was moved from afternoon to morning in order to allow cash and securities to settle simultaneously and provide true DvP. Government bonds, which were previously held at the local CSD, are now being held at the Central Bank of Nigeria and settle following the same process as treasury bills. It should also be noted that while they did not receive enough feedback in the survey to be assessed, both Citi and UBA Global Investor Services offer sub-custody services in the market and did receive responses in the survey.

Stanbic Bank

Scores are up on 2013 for the bank, who owns practically all the best clients responding for the market. Impressively, Relationship Management and Client Service jumped some 84 basis points from “satisfactory” to “good”. Asset Servicing and Safety also gained a noticeable bump, while Technology fell in equal measure. Not surprisingly, client comments are mixed. For example, one client laments, “Notifications are late and do not provide complete details... Inquiry responses could be more detailed and provide source documentation to better answer our questions.” And yet another has praise: “A strong team with experienced members in all departments. The reactivity and innovative approach to business as usual and relationship issues are well managed.” At least one client is feeling pains over changes in its RM team, while more than one made note of “market-driven challenges,” such as the client who says, “Stanbic IBTC is a fairly strong and consistent service provider despite some trying market conditions and a lack of automation combined with increasing volumes.”

Standard Chartered Bank

SCB received very few responses in this market, and while scores are certainly higher this year, the overlap in returning clients is null. Of the areas rated, Ancillary Services received top marks; Settlement as well as Asset Servicing and Safety also performed strongly. And in a market that has had challenges in terms of regulatory change, it is a good sign when clients leave comments like this one: “Happy with the responsiveness on market information.”

SWAZILAND

Although foreign investors made their way into market some 10 to 15 years ago, the local stock exchange is mostly active with domestic investors. The limited international activity that exists is dominated by South African institutions. But this is something that local market is certainly seeking to change. Last year, a securities industry forum was formed, with sub-custodians, investment advisors, brokers and the Central Bank in participation. The latter has also announced the intent to establish a local CSD.

Standard Bank

In Mbabane, Standard Bank is the only show in town when it comes to sub-custody, and the bank has taken on at least one new big client who notes this in its response. That said, volumes and activity are low, so it's interesting to see shifts in scores and difficult to gauge just how reliable they are. For example, the two linked service areas of Settlement and Asset Servicing and Safety tend to rise or fall together, but in this case, the bank saw its biggest gain and smallest decline respectively. “Interaction with the agent in Swaziland is limited... Agent does fulfil relationship needs to an adequate standard,” is the assessment of one client, and perhaps goes a long way to explain why scores seem rather lacklustre for Standard Bank in this market.

TANZANIA

Last summer the Dar es Salaam Stock Exchange implemented new integrated trading, clearing and settlement systems, which combine the Exchange's automated trading platform with the central securities depository and the National Payment System through a single SWIFT interface in order to achieve true delivery versus payment. Additionally there has been some liberalisation in the regulation of foreign investors. Since September 2014, foreign investors may purchase any listed securities, but a block still remains in place on government-issued securities, although the restrictions have been eased for residents of East Africa. In more disappointing news, an excise duty of 10% has been applied to fees charged by financial institutions.



Standard Chartered

SCB is getting the basics right, returning a set of scores in the core services of Settlement, Asset Servicing and Safety, and Technology that rank as “satisfactory.” But the score for Value Added stands in stark contrast, falling to a level considered “weak.” There isn’t much overlap in terms of clients between this year and last, and while there were complaints about the market requiring too much documentation and the need for better organisation, these have been replaced by praise from the client who says, “SCB has done well handling new business.” Another client notes that they use the bank’s Mauritius hub, which facilitates a number of African markets, to access Tanzania.



TUNISIA

The election of Beji Caid Essebsi as president of Tunisia at the end of 2014 seems to have brought the turmoil of the past three years that followed the Arab Spring to a democratic conclusion. The election’s initial effect has been positive for the Tunisian Stock Exchange Tunindex, but the overall outcome is yet to be seen. Central Bank policy is being guided by “negative economic indicators.” The government issued a billion-dollar bond in January to help cover its 2015 budget deficit. It also announced plans to issue sukuk, the Sharia-compliant Islamic equivalent of bonds.

Banque Internationale Arabe de Tunisie

Scores are down for BIAT. It would not be an exaggeration to say that it earns the lowest scores of any bank in the survey, with service levels falling to “weak” and “very weak.” When asked last year what BIAT could improve, this was the response given by one client: “Client service and response times to queries raised are unacceptable. There is no urgency applied irrespective of the nature of the query and multiple chasers are very often required.” And this year that same client had this to say, “Deadlines are rarely met and constant chasers are required to obtain responses to requests raised.” Clearly very little has changed, except perhaps the bank’s customer list as clients migrate to the newly established competition in the market.

Société Générale Securities Services

This is the first year that SGSS features in this market. It opened its Tunis operation back in June 2013 in a market environment that one respondent in a previous survey referred to as a “monopolistic situation.” Services are run out of Union Internationale de Banques (UIB), a subsidiary of the Société Générale group. Response levels are still low, but the bank is adding business. In October of last year it announced a mandate to act as sub-custodian for Royal Bank of Canada’s Investor and Treasury Services within the Tunisian market. When SGSS first came to the market, the bank promised to offer a new custody platform in line with international standards, and judging from the scores, it has delivered on that promise. The bank earns a set of scores that better the global averages in every service area, save one, but the numbers are so close as to make no difference.

UGANDA

Foreign investors and residents alike got a double hit of taxes from the government of Uganda, which included a 20% withholding tax on government securities as well as a 10% excise duty on the charges for any services provided by a financial institution. Meanwhile, Uganda’s Capital Markets Authority has said that it would like to see the introduction of new financial products to the market, including trade derivatives, depository receipts and real estate development trusts to help fuel ambitious market capitalisation goals. Finally, the local securities exchange has amended its trading rules for reviewing market spread sizes and order matching and has introduced new reference pricing and intra-day movement limits for cross-listed stocks.

Stanbic Bank

The sample of clients responding for Stanbic is small, but the respondents that comprise it are consistent, with all the same clients from last year rating the bank again this year. So it’s surprising to see such volatility in the scores between this year’s survey and the last. The bank made some big gains – more than 100 basis points – for Asset Servicing and Safety as well as Relationship Management and Client Service, but it also had a huge decline – once again more than 100 basis points – in Technology. Even more surprising is the reserved nature of client commentary: “They were helpful, they do respond to emails.”

Standard Chartered Bank

Standard Chartered lay claim to the marquee names in this market. However, clients are not pleased by the level of servicing that they receive from staff, and both the numbers and the comments reflect this. Scores for Relationship Management and Client Service as well as Valued Delivered both hover right at the level where “satisfactory” slips into “weak” territory. One client offers that the “agent’s local client service detail and response times could be improved to provide smoother resolution to operational issues that arise,” and another complains that “notification of corporate actions are inconsistent and at times not sent. Client service could improve to be more timely and detailed when responding to inquiries.” Meanwhile a third client is more forgiving in its appraisal of services: “SCB has been inconsistent in their service level, but has a good understanding of the market.”

ZAMBIA

Like many of its neighbours in the region, Zambia is continuing to develop its infrastructure. In September, a new central securities depository along with a real-time gross settlement system were introduced by the Central Bank for the settlement of government securities. (There is already a CSD in operation for the stock exchange.) At the same time, the Lusaka Stock Exchange made the use of ISINs for treasury bills mandatory – it had recently finished their allocation in August – and it has enforced a free-float requirement of 25% for all listed stocks. There are plans in the near future for the LuSE’s CSD to be separated and for the LuSE CSD and the new central bank CSD to link systems.

Stanbic Bank

Stanbic services a clientele almost exclusively composed of banks, who are for the most part satisfied with the services that they have been receiving. The bank’s scores suffer mostly from a minority set of responses, which push down averages in all areas save Settlement. A good percentage of respondents have returned from last year, and while a client who complained of service quality last year still feels that there is “extra effort needed on keeping up with deadlines and responding to client inquiries,” another has changed its view. “Standard Bank provides [us] with copies of the offer circular for voluntary events and is proactive in providing updates,” says the client. “Standard Bank has been active in resolving our requests.” A third has a commendation (“They always reply to my emails, helpful”) and a grumble (“Swift messages can be delayed”).

Standard Chartered Bank

Response numbers have dropped off for the bank in this market, as have the majority of scores, save Relationship Management and Client Service, which gained some 39 basis points, and Technology, which climbed by a more modest 7 basis points. That said, there is a small contingency that have marked down the bank on nearly all accounts, pulling down the overall score. Some explanation for that includes the following, “SCB has multiple operational issues with basic internal controls not being followed,” and “The service is poor and the local team is unresponsive.” However, another client has noticed that “the local relationship team has provided excellent support recently and this is backed up at a regional level.” So one hopes this means the bank has gotten the message and better service will spread to all clients.

ZIMBABWE

There have been a number of developments in the course of the past year in the market of Zimbabwe. The market saw the launch of a central securities depository in September. The new CSD has allowed the market move from a T+7 settlement window to T+5; but unfortunately, there has been a drop in trading within the market as investors adapt to the new system. (And certainly the policies of the Mugabe administration and

current political unrest do nothing to help the situation.) That said, the stock exchange, which recently lowered fees, is moving forward in the process to dematerialise – it is nearly two-thirds complete – and plans to be done by June. It is a step that the CSD says will allow it to move to T+2 settlement period at the same time. There are also plans to launch a bond market around the same time – in August of last year, the Reserve Bank lifted restrictions on the participation of foreign investors. And finally, an initial plan to demutualise the stock exchange has been agreed upon and a vendor has been engaged for the development of an automatic trading system.

Stanbic Bank

This is one of the better performing markets in the Stanbic franchise, with an overall score that’s just shy of reaching the “good” cut off. “Stanbic is a fairly strong and consistent service provider despite some trying market conditions and lack of automation combined with increasing volumes,” says one client. Scores for Settlement are up an impressive 50 basis points. But scores for Asset Servicing and Safety and Technology do not follow suit. In fact, the Technology score has tumbled some 40 basis points, and indeed, one client notes that “SWIFT formatting could be improved for automation and efficiency purposes.” Another laments, “Sometimes [this provider has] a narrow view on a sub-custodian’s responsibilities.”

Standard Chartered Bank

Response levels are low in this market. Based on overall scores, SCB Harare may not be the highest-scoring market for Standard Chartered, but neither is at the worst. When it comes to core services like Settlement and Asset Servicing and Safety the bank is crossing its Ts and dotting the Is, and this can be seen in the lack of comments from clients, who appear to be generally satisfied with the services they are getting. But when it comes to customer service, the numbers tell a different story, and clients in this challenging market appear to be getting the attention they need. “Good service,” is the concise summation of one client. ■



Asia



BANGLADESH

Bangladesh is a challenging market for investors. Infrastructure is underdeveloped and automation is lacking – one respondent complains about the lack of straight through processing (“no STP.”) Last year the Dhaka Stock Exchange and Chittagong Stock Exchange were demutualised, which was just one of the reforms that had been called for following a crash in 2010 that was the result of manipulations and insider trading. Another was the creation of a settlement guarantee fund – which was finally established in spring of 2014 – to reduce settlement risk and ensure that trades settle according to regulation. In further efforts aimed at reform, the Bangladesh Securities and Exchange Commission has formed three separate committees to put together a framework to establish an independent clearing corporation, a derivatives market and a commodities market. And finally, the authorities have opened up investment in government treasury bonds to non-resident investors through the mechanism of a Non-Resident Foreign Currency Account or a Non-Resident Investors Taka Account.

HSBC

The respondent sample rating HSBC for this market is the smallest the bank sees in any market in the survey, so feedback is somewhat limited. One client notes that there is a “good client service team,” but also says, “We do experience issues with receiving tax-related information from the market, which is disappointing.” And indeed Asset Servicing and Safety is one of the areas where the bank receives its lowest score from clients. In fact, it is the only service area to lag the global scores. The bank can be proud of the improvements it has made in Relationship Management and Client Service as well as Technology, which are both up by roughly 30 basis points. But like many other providers in this survey, the bank will want to address issues perceived in Value Delivered, which has tumbled over the past three years.

Standard Chartered Bank

This is the lowest-scoring operation in SCB’s network of frontier Asian markets. Scores for Relationship Management

and Client Service are particularly low. One client notes that “contacts are often difficult to reach.” Another has remarks that “improvements in Standard Chartered’s client service continue to be seen.” However, the score tumbled a whopping 84 basis points this year. In fact, scores are down across board, and none so much as that for Value Delivered, which fell more than 100 basis points and is on the verge of falling into “weak” territory. Despite these low scores, there is at least one global custodian who is pleased with their services.” We appreciate that SCB has been pro-active in addressing our SWIFT formatting and reporting requests,” says the bank.

SRI LANKA

The Colombo Stock Exchange (CSE) has invested heavily to revamp its electronic trading and settlement system; the central depository system was replaced and the automatic trading system was upgraded. But more importantly these improvements lay the foundation for creating true delivery versus payment system as well as a central counterparty system, which the CSE says it is committed to implementing in the near future. In terms of regulations in the market, the government removed the withholding and income tax for income derived from investments in listed debentures. And life has gotten easier for non-residents investing in unit trusts, as they now have the ability to do so without opening a Securities Investment Account first.

Citi

Citi has a very small respondent base in Sri Lanka compared to other markets. In fact, it has failed in the past to attract enough responses to receive a review in the survey. The overlap between clients from this year to last is about half, but the same issues crop up again. The client who said, “Pro-activity, follow up and speedy replies needed, especially for sub-account openings,” in 2013, had this to say this year, “[Citi] needs to increase efficiency and take care of details when replying to requests.” And a second complains that the “account opening process takes too long [of a] time.” Their frustrations can be seen within the low scoring of Relationship Management and Client Service, which falls below “satisfactory” levels.

Deutsche Bank

Deutsche Bank received more responses than any other provider in this market. However, marquee names are conspicuous only by their absence on the list. In the Sri Lankan capital of Colombo, the bank is servicing a collection made up primarily of asset managers and broker-dealers for the most part. That said, this group is keeping the bank busy with a high volume of transactions compared to the other agent banks in the market. Clients are pleased with the services that they are getting. “[Deutsche Bank’s] ability to respond in a timely manner is appreciated,” says one. “Excellent service,” is the simple recognition given by another. Response levels are up and so are scores – in every category in fact. However, the continuity in customers responding year to year is very minimal.



HSBC

Clients have harsh words for the Asian bank in this market. “Not one of HSBC’s better locations in terms of client servicing,” says one. “[They are] rather inflexible at meeting client demands and understanding our needs.” And sure enough, out of all of the bank’s frontier markets operations, Sri Lanka ranks in the bottom two. Sri Lanka is admittedly a difficult market to do business in. “Market issues around paper-based election processing inhibit improved CA deadlines,” observes a client. “Market needs to work on a true DVP environment,” urges another. And accordingly clients make concessions in these areas, but not so much when it comes to the Relationship Management and Client Service Services that they are receiving. Scores on that account have fallen for the past three years. Nevertheless, HSBC has at least one client who is more lenient than others. “Agent bank has strong relationship with the regulators and is willing to work with us and our clients in customising solutions,” it says. “Agent continues to improve relationship management after departure of some key individuals.” It is an observation that points to another potential cause for the decline in scores.

Standard Chartered Bank

Scores for Client Service and Relationship have rebounded from the tumultuous drop they experienced in 2013, and clients are clearly delighted with the improvements they have seen. “Untouchable in service delivery,” says one tickled customer. “SCB Colombo has confirmed their great service level,” says a second, while yet a third client offers this no-frills plaudit: “All requirements are efficiently addressed by Standard Chartered Bank Sri Lanka without any follow up.” That said, scores for core services like Settlement, Asset Servicing and Safety and Technology receive a knock down from clients but without any comments to explain why. But the bank has picked up a number of new respondents this year, and perhaps they have higher expectations. Overall, SCB Colombo earns the second-highest score in the bank’s network of frontier markets.

VIETNAM

Vietnam continues to open its market with continued reforms. For starters, the government of Vietnam relaxed its rules governing the ownership of domestic banks in order to help in the restructuring of poorly performing institutions. Specifically, individuals may own up to a 5% stake, regular entities may own up to 15%, and strategic investors may own up to 20%, with total foreigner ownership in one institution not to exceed 30%.

Additionally, the State Bank of Vietnam has changed regulations so that foreign investors may now open direct investment accounts in Vietnam Dong in addition to foreign currency accounts, thus allowing them to reinvest revenue earned in the country, and it simplified the rules regarding the opening and use of indirect investment accounts. On the infrastructure side, the Hanoi Stock Exchange now supports ETFs and the market is moving forward with its plans to develop a centralised, state-run derivatives market. The legal framework is now in place and a launch in 2016 is intended. And finally, the Vietnam Securities Depository issued a full set of rules to guide securities lending and borrowing in the third quarter of 2014.

Deutsche Bank

Scores for the German bank were limited, making a reliable assessment difficult, but Deutsche Bank is servicing a collection of Asian and Vietnamese asset managers with offshore Cayman funds as well as at least one European bank.

“Professional relationship manager, knowledgeable client service manager. We are very satisfied with reporting quality. Excellent corporate actions. We do not use proxy voting, hence rates should be more competitive,” is the lengthy review given by one client. Meanwhile a second client is more straight to the point: “Complicated with lots of small fees for each process.”

HSBC

HSBC Vietnam is the jewel in the bank’s frontier market network, earning the bank its highest set of scores. The market is clearly a complicated one, and clients of HSBC appreciate the efforts of the bank to explain and inform.

“HSBC provides a lot of insight in market developments,” praises one. “HSBC also provides a lot of value-add in providing educational materials that allows global custodians to understand the market.” Another says, “[This] agent bank has exceptional relationship management. They show a willingness to work with us and our clients in customising services in meeting our needs. They have a strong relationship with the regulators and market intermediaries and are a strong market advocate. The implementation of market change involves thorough consultation with SSB.” Still a third adds: “We appreciate their providing us with market information regularly,” And finally, “High level service in a difficult environment, [i.e.] administrative burdens,” is the feedback of a fourth. ■

The Americas



The Americas comprises Bermuda, Costa Rica and five countries from South America. Bermuda has established its stock exchange and a listing venue for more than 300 funds, and more than 100 insurance-related vehicles. The equity exchange has only 10 companies listed with a further three on its mezzanine market. As such it holds limited appeal to cross-border investors, and generates very limited business overall. Given the lack of indigenous businesses outside of finance, this position seems unlikely to change.

The Costa Rican market has some 15 companies listed but is arguably the most developed stock exchange in the Caribbean. However, the market remains very small, the local economy is heavily influenced by tourism, and there appears to be limited scope for expanding further. Costa Rica, along with Bermuda, therefore seems to have less potential than at least some of the frontier markets of Latin America.

Developments in the other five countries, Colombia, Ecuador, Peru, Uruguay and Venezuela, are impacted by the progress of their economies and, perhaps just as importantly, by the progress of their politics. Thus Venezuela, once seen as an expanding economy built on oil wealth, is now seen as a political and economic 'basket case'. Meanwhile, some clients are asking why Ecuador is not yet classified as an emerging market, like Brazil and Chile. As recently as 2008, Ecuador repudiated its foreign debt and achieved a 60% write-off. Short memories indeed.

At present the economies are generally performing reasonably well, except of course for Venezuela. The political situation is also relatively stable. Colombia, for example, now lists 78 companies on its stock exchange, the largest of which has a market capitalisation of more than \$10 billion. Peru is, likewise doing well, with 240 listed companies, and total capitalisation of \$120 billion. Ecuador, meanwhile has under 50 listed companies and a market capitalisation of less than \$7 billion overall, despite doubling in value in the last six years. Uruguay has seen its listing halve in ten years and now only counts seven companies, with a combined capitalisation of less than \$200 million listed on the Montevideo exchange. Venezuela now sees virtually no trading: down from \$6 billion p.a. in 2009.

PROVIDER PROFILES

From a provider perspective, the frontier markets of the Americas include a relatively high number of local banks. Citi is dominant in Colombia, Peru and Venezuela. HSBC, although global, is effectively the old Bank of Bermuda, dominating that country. Elsewhere, a number of local banks are used. In some cases this may reflect the fact that the business opportunities are very modest, markets are undeveloped, and potential for future development is considered limited. As Brazil and Chile have shown, however, the region is not without potential, providing the politics can be successfully resolved.

Citi

As noted, Citi is the dominant provider in three countries. In Colombia it handles around two thirds of agent bank business from cross-border investors. In Peru it is even higher, at almost 90% of all business. In Venezuela there is arguably more competition, but the political and economic situation renders the business largely irrelevant. Here Citi has around half of the market based on responses received.

Reflecting the very limited business, the preponderance of scores across all categories is at the 5.0 (Good) level that typically reflects limited experience on which to base assessments. For Citi, the area that consistently scores better than that level in all three countries is Technology. This is, perhaps not surprising, given the global platform that Citi can offer. On the other hand, scores for Relationship Management and Client Service are at or below the 5.0 level in all countries. Given the way that Citi handles regional business that will perhaps be disappointing, but again may reflect lack of experience, rather than specific weakness. Indeed one client of the Peruvian operation praises Citi for its "good management of accounts", while at the same time indicating that they would expect "more proactivity from relationship managers". Another client also comments that the "operating hub in Tampa can delay corporate action information": a situation that they believe applies across all countries in the region. However, the operating hub approach is appreciated by a number of clients, who believe that "inquiries are handled in a timely and accurate manner and client support is strong across all countries."

BNP Paribas

BNP Paribas has an approach to network expansion that it believes is considered and reflective of a view of where the best opportunities exist. As such it is interesting that as well as Brazil, the bank decided to open a sub-custody capability in Colombia in late 2013. It is, perhaps too soon to tell how successful this has been, let alone what the future holds. However, it is worth noting that the bank did attract a number of responses and is clearly seeking to challenge the dominance of Citi in the market.

In addition, new regulations proposed in 2013 covering the custody business and investment funds, may open up domestic

market opportunities when they come into effect in 2015. As might be expected for a newcomer in the market, BNP Paribas was able to achieve very good scores, albeit with a very small market share. BNP Paribas is clearly approaching the market with a long-term mindset, and may take time to establish itself as a major competitor to Citi. Nonetheless, it has made a good start.

HSBC

When HSBC acquired Bank of Bermuda, it inherited a dominant position in a very small business, namely sub-custodian services to clients investing in the Bermuda stock market. In the ten years since the acquisition was made, not much has changed, either in the market itself, which remains very small, or in the dominant position of HSBC. While Bermuda has other banks, none have thought it worthwhile to try to develop a custody business for cross-border inward investors. The long-standing effective monopoly, and very limited business has had a predictable impact on scores. These show HSBC performing at a level consistently below the 5.0 default score. The small number of responses and lack of explanatory comments make it hard to determine whether low scores reflect indifference towards, or disappointment with, the level of services. In either case, it probably makes no difference to the commercial situation that prevails and will continue.

Banco Itau

Banco Itau is the only provider to receive responses for Uruguay. The market is small due inter alia to cash reserves imposed by the central banks, and attracts limited interest from overseas investors. This is in spite of having a stock market for nearly 150 years. As would be expected, client experience is limited. However, one client applauds Itau for its “proactive approach in reaching out to clients to educate them about the market”. A second respondent would like to see more timely information about corporate actions and this may have impacted scores for Asset Servicing. Meanwhile, scores for Relationship Management and Client Service, as well as Settlement, are comfortably above the 5.0 level. Overall, Itau is well regarded by clients, including some of the largest global custodians. Should the market expand, it is clearly well positioned to grow further.

Produbanco

Produbanco is the only bank to offer sub-custody services in Ecuador. The market is small, and even the largest global custody banks have little activity or experience from which to make a quantitative assessment. In general, Produbanco gains plaudits from clients for its account management. However, there is some confusion surrounding the new securities market law passed in 2014, and the plans for dematerialisation. This may also have been a contributing factor for clients suggesting they would like a faster response to requests for information. As the only provider in a market with little activity, scores are

always likely to be indifferent. This is reflected in the scores for Produbanco, which are below 5.0 in four categories, the exceptions being Settlement and Asset Servicing.

Banco BCT

There are two banks providing services in Costa Rica. However, only BCT received enough responses to merit a formal write-up. Generally clients appreciate the support they receive from the bank, though overall scores are disappointing. In a number of categories, the average score is below 4.0 (Satisfactory), which is among the lowest scores seen. Obviously the small number of responses is a factor here. However, with one other bank offering services, the position of Banco BCT is potentially vulnerable, should the level of business grow enough to cause clients to review arrangements.







A number of other banks in the Americas region received responses to the Survey. Banco Mercantil in Venezuela received average scores, and one client would like to see improvement in SWIFT formatting of messages. Banco de Credito del Peru and Scotia Bank Peru both saw relatively disappointing scores, generally at 4.0 or lower, and received no comments concerning its services. Finally, Banco Nacional de Costa Rica obtained good scores (5.0 or better in all categories), but again no comments to explain the reasons for the apparently high level of satisfaction with services. ■

Errata: Greece domestic survey



Due to a production error in the Greece domestic survey in the Winter issue, the service area column in two of the tables was incorrectly ordered against the data. The correct listing is below

GENIKI	Greece		
Service area	Geniki	Average	Difference
Relationship management & client service	6.84	6.91	-0.07
Cost and value delivered	6.57	6.56	0.01
Settlement and cash management	6.48	6.67	-0.19
Asset servicing	6.43	6.57	-0.14
Operational reporting	6.74	6.62	0.12
Technology	5.97	6.30	-0.34
Fund accounting and valuation	6.15	6.54	-0.40
Trustee and administration services	6.44	6.61	-0.17
Reputation and asset safety	6.80	6.78	0.02

NBG	Greece		
Service area	NBG	Average	Difference
Relationship management & client service	7.00	6.91	0.09
Cost and value delivered	6.91	6.56	0.34
Settlement and cash management	7.00	6.67	0.33
Asset servicing	7.00	6.57	0.43
Operational reporting	6.85	6.62	0.23
Technology	6.86	6.30	0.56
Fund accounting and valuation	6.69	6.54	0.14
Trustee and administration services	6.97	6.61	0.36
Reputation and asset safety	7.00	6.78	0.22

	BAHRAIN	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
HSBC		5.20	5.13	5.18	5.21	5.37	4.89
	BANGLADESH	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
HSBC		5.41	5.06	5.41	5.41	5.50	5.06
Standard Chartered Bank		4.57	4.89	4.14	4.40	5.06	4.03
	BERMUDA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
HSBC		4.70	4.00	4.30	4.60	4.60	4.30
	BOSNIA & HERZEGOVINA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Raiffeisen Bank International		5.97	5.88	6.10	5.53	5.82	5.72
UniCredit		5.22	5.19	5.10	4.86	4.86	4.38
	BOTSWANA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Stanbic Bank		4.75	4.50	3.88	4.88	4.50	3.67
Standard Chartered Bank		4.90	4.57	4.28	4.49	4.73	4.54
	BULGARIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Citi		5.56	5.41	5.83	4.97	5.55	4.79
Eurobank		6.35	6.68	6.42	6.48	6.06	6.19
Raiffeisen Bank International		5.53	5.69	5.71	5.35	5.38	5.29
UniCredit		5.14	4.86	4.92	4.72	5.00	4.44
	COLOMBIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Citi		4.97	5.14	4.84	5.17	5.05	4.57
	CROATIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Privredna Bank		5.77	5.58	5.65	5.26	5.48	4.87
Raiffeisen Bank International		6.00	5.83	6.48	5.57	6.00	6.04
Societe Generale Securities Services		5.36	5.27	4.36	5.00	5.00	5.00
UniCredit		5.00	5.29	5.34	5.14	5.00	4.66
	CYPRUS	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
BNP Paribas		5.88	5.56	6.20	5.56	5.92	5.32
Citi		5.20	5.71	5.50	5.50	5.80	4.50
Eurobank		6.51	6.49	6.92	6.00	6.19	6.43
	ECUADOR	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Produbanco		5.09	5.00	4.35	4.55	4.00	4.09
	ESTONIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
SEB		5.86	5.13	5.38	4.97	5.23	5.10
Swedbank		5.80	5.51	5.60	5.40	5.40	5.31
	GHANA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Standard Chartered Bank		4.37	4.72	4.69	4.60	4.21	4.18
	ICELAND	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Islandsbanki		4.68	4.93	5.19	4.77	4.86	4.89
Landsbankinn		4.71	4.74	5.16	4.35	5.09	4.06
	IVORY COAST	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Standard Chartered Bank		3.77	4.62	4.15	4.23	4.54	3.77

	JORDAN	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	Bank of Jordan	5.52	5.71	5.96	5.43	6.75	5.91
	Standard Chartered Bank	5.06	5.00	5.00	5.00	4.88	4.37
	KAZAKHSTAN	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	Citi	5.07	5.26	4.93	5.04	5.07	4.56
	KENYA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	Stanbic Bank	5.00	4.90	5.60	5.20	5.20	5.10
	Standard Chartered Bank	4.33	4.76	4.52	4.48	4.75	4.29
	KUWAIT	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	HSBC	5.47	5.33	5.41	5.28	5.53	5.14
	LATVIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	SEB	5.65	5.11	5.49	4.83	5.12	4.95
	Swedbank	5.76	5.41	5.66	5.41	5.41	5.31
	LEBANON	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	HSBC	5.38	5.24	5.45	5.30	5.33	4.91
	LITHUANIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	SEB	5.61	5.31	5.49	4.98	5.21	4.96
	Swedbank	5.94	5.35	5.76	5.35	5.35	5.53
	MALAWI	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	Stanbic Bank	4.07	4.73	4.40	4.40	4.40	4.07
	MAURITIUS	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	HSBC	5.42	5.20	5.00	5.09	4.87	4.63
	Standard Chartered Bank	4.85	5.00	4.69	3.92	3.80	4.23
	NAMIBIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	Stanbic Bank	4.53	4.76	4.43	4.61	4.41	4.28
	NIGERIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	Stanbic Bank	4.81	4.86	5.37	4.59	4.79	4.73
	OMAN	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	HSBC	5.49	5.28	5.52	5.35	5.53	5.09
	PALESTINE	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	HSBC	5.27	4.96	5.00	5.18	5.58	4.39
	PERU	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	Citi	5.05	5.06	4.81	5.26	5.13	4.94
	ROMANIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
	Citi	5.63	5.55	5.64	5.20	5.75	4.98
	Eurobank	6.74	6.39	6.81	6.00	6.35	6.74
	Raiffeisen Bank International	5.74	5.89	5.84	5.47	6.29	5.89
	Societe Generale Securities Services	6.80	6.80	6.80	6.50	6.00	6.50
	UniCredit	5.60	5.16	4.88	5.16	5.16	5.32

 SAUDI ARABIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
HSBC	4.94	5.21	5.33	5.39	5.18	4.85
 SERBIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Raiffeisen Bank International	5.80	5.70	6.15	5.52	5.72	5.88
UniCredit	5.57	5.41	5.54	5.16	5.20	4.83
Vojvodjanska Bank	6.71	6.71	6.71	6.43	6.57	6.57
 SLOVENIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Raiffeisen Bank International	6.41	6.18	6.41	6.18	6.18	6.32
UniCredit	5.28	5.31	5.72	5.07	5.06	4.76
 SRI LANKA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Citi	4.50	4.83	3.67	5.00	3.00	3.67
Deutsche Bank	6.50	6.53	6.87	6.10	6.17	6.70
HSBC	5.00	5.17	4.86	5.00	5.34	4.24
Standard Chartered Bank	5.50	5.50	5.90	5.80	5.67	5.80
 SWAZILAND	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Stanbic Bank	4.48	4.68	4.87	4.00	3.76	4.16
 TANZANIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Standard Chartered Bank	5.00	5.00	5.05	5.00	4.21	3.74
 TUNISIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Banque Internationale Arabe de Tunisie (BIAT)	4.00	4.19	2.84	3.94	3.85	3.29
Societe Generale Securities Services	5.50	5.17	5.67	5.17	5.33	5.00
 UGANDA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Stanbic Bank	4.25	4.75	5.50	4.50	4.00	4.63
Standard Chartered Bank	4.82	4.48	4.00	4.67	4.41	3.97
 UKRAINE	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Citi	5.21	5.41	5.63	5.34	5.21	4.38
Raiffeisen Bank International	5.56	6.06	5.78	5.33	6.27	5.50
UniCredit	5.93	5.93	5.54	5.93	5.93	5.75
 URUGUAY	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Banco Itau	5.23	4.97	5.39	4.61	4.65	4.48
 VENEZUELA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Banco Venezolano De Credito	4.62	4.85	4.15	4.46	5.00	4.62
Citi	5.10	5.13	5.50	5.30	5.00	5.00
 VIETNAM	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
HSBC	5.62	5.60	5.97	5.53	5.68	5.42
 ZAMBIA	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Stanbic Bank	4.82	4.00	4.37	3.79	3.53	3.74
Standard Chartered Bank	4.15	4.57	4.56	4.54	4.78	4.33
 ZIMBABWE	Settlement	Asset servicing	Relationship & client service	Technology	Ancillary services	Value delivered
Stanbic Bank	5.04	4.74	4.56	4.80	4.56	4.28