



50 not out

Singapore has witnessed significant change in both its economic and market framework since independence. Market participants are not, however, resting on their laurels.

This year, Singapore celebrates 50 years as an independent nation. However, the country is not without economic changes and challenges. Q1 and Q2 2014 saw a decline in trading volumes on Singapore's Stock Exchange (SGX). In July 2015, MSCI announced plans to incorporate China A shares into the MSCI Emerging Markets Index by May

2017. When this occurs, it is expected to impact domestic trading in Singapore, and could negatively affect the performance of the *Straits Times* Index.

Since early 2014, several measures have been implemented to help improve market conditions. In February 2014, the Monetary Authority of Singapore (MAS) and SGX released a consultation paper on proposals to strengthen the

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Ee Fong Soh, DBS Bank

securities market in Singapore. In June 2014, standardised settlement fees were consequently implemented, and costs for clearing trades for stocks and other listed securities were lowered from 0.04% to 0.0325% of the value.

Q1 2015 saw a slight increase in governmental domestic debt, whilst the budget deficit for FY15 also increased. According to Singapore's Ministry of Trade and Industry, Singapore recorded 2.8% and 1.8% GDP growth in Q1 and Q2 2015, respectively. Singapore's GDP growth is nevertheless expected to average a respectable 3% per annum between now and 2020.

Q2 2015 mostly saw GDP growth generated from the financial and insurance sectors. In March 2015, Singapore recorded approximately 17% growth in the number of registered mutual fund companies.

Catalist, the board for growth companies on the SGX, has also been showing enhanced signs of activity. “In March 2015, the market experienced an increase in Catalist IPO activity and market value,” says Ee Fong Soh, MD, head of securities and fiduciary services, DBS Bank. “Domestic Singaporean companies comprise 70% of the 88 companies that recently joined Catalist.

“SGX is also implementing a major revamp to its infrastructure, to improve

the post-trade system,” adds Soh, referring to phase one of the settlement and clearing changes, which will include fee alterations for messaging within the securities market. These amendments are expected to take effect from November 16, 2015.

The future

Further domestic change is expected in Q1 2016, when The Companies Act Reform, also known as The Companies (Amendment) Act 2014, will undergo legislative changes. The reform is intended to increase the electronic transfer of documents and notices, by enabling companies to specify that automated transmission will be the default mode of client communication.

Investment in electronic methods of communication is also evident amongst providers. “Technology is getting increasingly commoditised,” observes Sivan. “Hence value adds upstream and downstream, and integrated offerings with consistent delivery of the daily tasks is key.”

This is a view prevalent amongst other providers too. “Companies that do not embrace the digital age are likely to be disintermediaries,” explains Soh. “Creating a digital culture is a philosophy which runs throughout the bank, and espoused by DBS CEO, Piyush Gupta, recognising that people need banking, not banks. The bank of the future will function very differently. Being able to bank while out of their office or in front

of a desktop is what clients are looking for in the modern era. For custody, we therefore continue to upgrade our online platform (IDEAL Custody), to ensure that clients are able to utilise custodian banking services on the go.”

Similarly, “Deutsche Bank continues to invest in straight through processing, as we consider it to be a promising method of reducing manual transactions, and improving efficiency,” says Sivan.

Overall, despite some concerns regarding market performance and economic forecasting, Singapore is at an exciting stage, both in terms of legislative and technological changes. The consequences of this are likely to flow through to domestic institutional, and retail investors in the year ahead. ■

SURVEY OVERVIEW

Reputation remains top priority

Both priority rankings and service area scores suggest that reputation and commitment is the most important category to clients, and is well-handled by providers. However, client comments indicate a more complex picture.

Respondents to the Singapore Domestic Survey were asked to define the most important factors for selecting custody service providers. Reputation and Creditworthiness ranked top for both client priorities and service provider scores, with providers achieving an average score of 6.04 for this category (See figure 1). This is in keeping with recent trends in global custody, and suggests that both providers and clients alike are giving serious attention to ensuring this is sustained.

However, a high client priority ranking does not necessarily mean that a service area is well-handled by providers. With a score of 11.91, the second highest category, according to

client priorities was Administration. Despite its importance amongst clients, Administration was the weakest category, according to market average provider scores, obtaining just 4.80 of a possible 7 points, putting it in the merely ‘Satisfactory’ category. So, despite placing less than 0.25 points below Reputation and Commitment in terms of client priorities, Administration placed well below the overall market average of 5.42.

Client comments also demonstrate that average client priority and provider scores do not show the full picture. Whilst one of Deutsche Bank’s clients specifically highlighted reputation as one of the bank’s strengths, Deutsche Bank

was the only provider who received positive written feedback regarding this service area. Similarly, only two providers – DBS Bank and Deutsche Bank – received positive comments from clients related directly to Administration (specifically Fund Administration). However, it is worth noting that a considerable number of respondents opted not to provide written comments, whether positive or negative. Despite the significant difference in average provider scores, no negative written comments were received for Reputation and Commitment, or Administration.

Overall, the service areas to receive the most positive comments from clients were Settlement, Relationship

Fig 1: Average scores by category

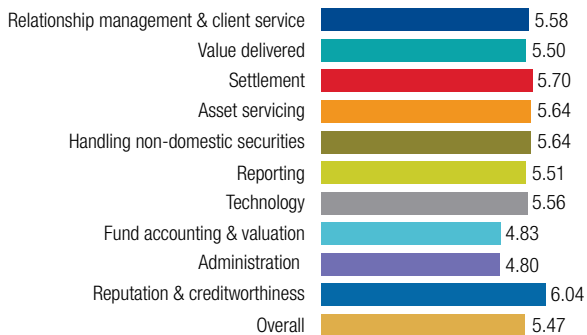
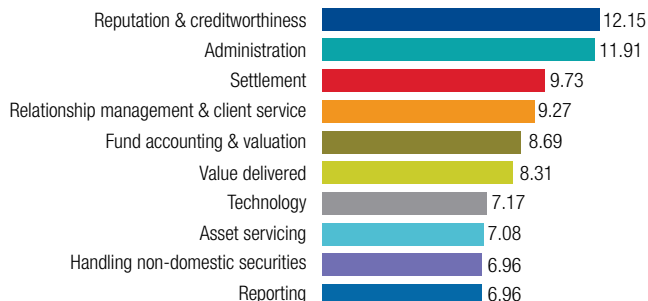


Fig 2: Respondent priorities ranking



Management and Client Service. In terms of average priority rankings, Settlement placed third, whilst also ranking second according to provider scores. These scores suggest that there is some correlation between client priorities and provider performance in this area. Similarly, Relationship Management and Client Service (handled as one overall category) placed third in terms of client priorities and placed fourth amongst provider scores.

While Technology placed relatively low on the service area rankings, both according to client priority and overall provider scores, a number of negative comments received from clients indicated that this is an area where they would still like to see improvements. This is reflective of the overall results for many previous *Global Custodian* surveys, where Technology does not score particularly highly in terms of priorities, yet clients clearly place importance on it in freeform comments. This could partly be due to the need for technological advancement across a range of key service areas, such as custody and settlement. Investment in client-facing technology may also be seen anecdotally as an indicator of commitment to the business.

There were also a significant number of negative comments made by clients in relation to other aspects of service. Timeliness in relation to custody and reporting, for example, was highlighted as another area requiring improvement, which somewhat contradicts the fact that Reporting received the joint lowest score based on client priorities. Its priority ranking (6.96) was tied with Non-Domestic Handling of Securities. Corporate Actions was also highlighted by one or two clients as an area which generally needed improvements, particularly in relation to speed of sharing notifications with clients and the accuracy of the information provided.

Overall, despite placing first according to client comments and provider scores, client comments indicate that while Reputation may be a key factor in selection, assessment of performance brings to mind a more diffuse range of considerations. ■

Methodology

Global Custodian domestic surveys are intended to assess the extent to which local service providers are meeting the expressed needs of their domestic clients. Such needs are often different from those of cross-border investors, covered in the Agent Bank surveys published by the magazine. Many service providers also focus mainly or exclusively on domestic clients.

To obtain the relevant information, clients are invited to complete a short questionnaire. This typically involves around 20 questions. The questions are grouped into between eight and twelve service categories for presentation purposes. Respondents evaluate each question for each service provider that they use. Scores range from 1 (Unacceptable) to 7 (Excellent). Where clients have insufficient experience of a service or do not use it at all, they can enter N/A. Clients are also asked to indicate which categories are most important to them in assessing the overall service being received, and are given the opportunity to provide explanatory comments and identify specific strengths and weaknesses of their service provider(s).

Each question is given an individual weighting, depending on the importance attached to it by clients. Each respondent is given a weighting based on the scale and breadth of their business and the detail included in the responses they provide. Respondents are also described by their type of business and the level of their assets under management (AuM).

Global Custodian's Research department calculates weighted average scores for each provider, for each question, each category and an overall total. The Research department also calculates scores for different types and size of respondent, allowing us to reflect as accurately as possible, the relative position of each service provider, both overall and with specific client subgroups. Summary information is presented in each Provider Profile together with, where relevant, explanatory contextual commentary.

More detailed analysis of scores and comments received is available from the *Global Custodian* Research department. This group also administers the digital accreditation process by which suitably qualified providers can receive a formal accreditation of their achievements, in the form of one or more digital badges.

DBS Bank

DBS Bank received mixed scores across the Singapore survey. The bank achieved the highest scores of all providers for Non-Domestic Handling (6.23 out of 7) and Reputation (6.14 out of 7). Its score for reputation is in keeping with the positive client comments the bank received relating to staff and timeliness.

However, the bank received the lowest score of all providers in five of the ten service areas, including Relationship Management. Whilst another category where the bank received the lowest score was Administration, for which it recorded

4.40, one client nevertheless stated that, “The Fund Admin team is excellent.”

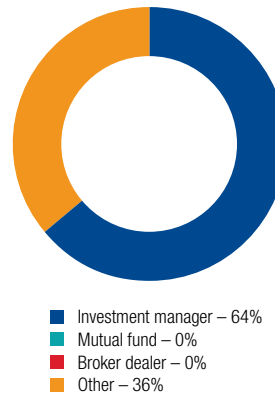
Other client comments indicated that areas most requiring improvements were Technology and DBS’s “ability to customise reports.” One client stated that, “There should be an option to generate holdings report in PDF, and not Excel.” However, the bank received a respectable score of 5.42 for Technology.

The majority of responses were obtained from small and very large clients, which collectively made up almost 80% of total responses. The majority of DBS’s responses were from Investment Managers, with the remainder of participants falling into the ‘Other’ category. ■

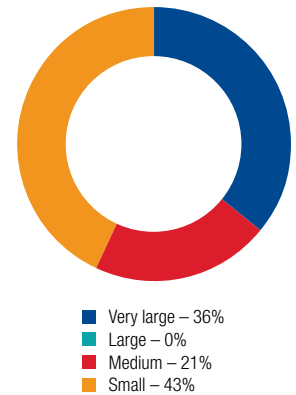
DBS: Respondent priorities ranking



DBS: Type of respondent



DBS: Size of respondent (AuM)



Deutsche Bank

Deutsche Bank performed reasonably well in the survey, meeting or exceeding the market average in four of the ten categories. The bank also achieved the highest scores across the survey for Asset Servicing and Reporting. This was reflected in clients’ comments, which highlighted asset safety and a “good day-to-day operational team” as particular strengths.

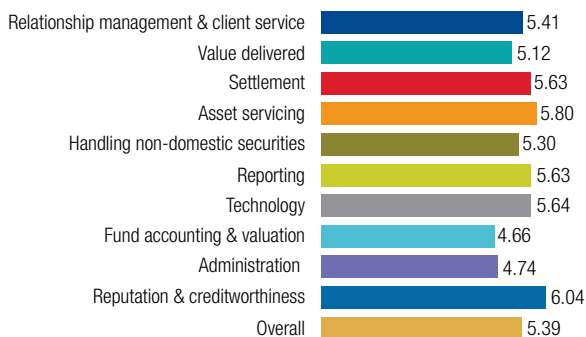
The bank received a fairly even mix of responses, particularly from medium and very large clients. Deutsche Bank received the majority of its responses from Investment

Managers, whilst approximately 10% of participants were from Mutual Funds, and no responses were received from Broker/Dealers.

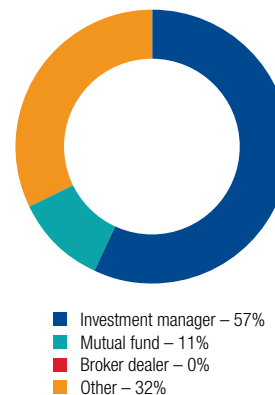
Multiple positive comments were recorded for Relationship Management, Settlement and Client Service. However, the bank obtained the lowest score of all providers for Value Delivered (5.12 out of 7), with more clients considering this to be an area of weakness, than a strength. Clients also felt Technology needed improvements.

Overall, Deutsche Bank received respectable scores, ranging from 4.66 (for Accounting) to 6.04 (for Reputation). ■

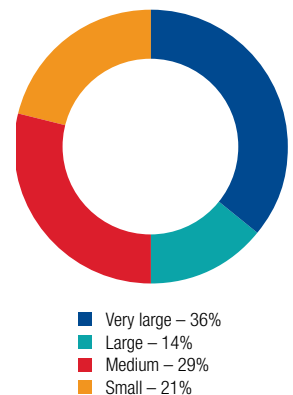
Deutsche Bank: Respondent priorities ranking



Deutsche: Type of respondent



Deutsche: Size of respondent (AuM)

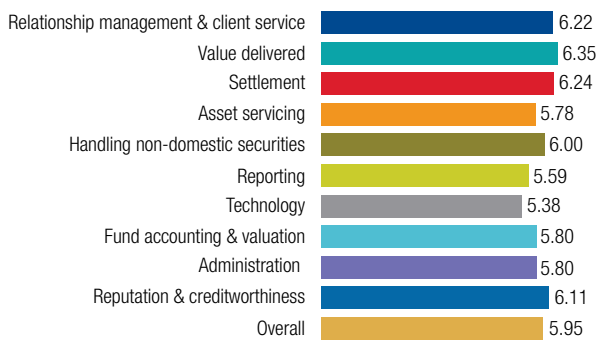


Standard Chartered

Standard Chartered has generally performed well in this year's survey, exceeding the Singaporean market average in nine of the ten service areas. The bank obtained the highest score of all providers for Relationship Management, Value Delivered and Settlement. This was reflected in clients' comments, with one client highlighting Relationship Management and Settlement as its greatest strengths.

The bank also received a fairly even mix of responses from Investment Managers, Broker/Dealers and Mutual Fund Managers, meaning results can be considered well-balanced.

Standard Chartered: Respondent priorities ranking



Similarly, Standard Chartered received responses from a number of very small and very large clients.

However, whilst Standard Chartered performed well in all other categories, it nevertheless received the lowest score of all providers for Technology. The bank still scored a respectable 5.38 for this category, meaning they placed 0.18 points below the market average. This is not too alarming, particularly considering that no clients left negative feedback about its technological services, but does indicate room for client perceptions to improve.

Areas identified by clients as requiring improvement were Corporate Actions, and the timeliness and accuracy of information provided to clients. ■

SCB: Type of respondent



SCB: Size of respondent (AuM)



Other

Two other institutions – Citi and BNP Paribas – received responses from a few clients, but the number obtained for each institution was not sufficient to warrant individual profiles.

Both banks received mixed performances, which were generally fairly close to the Singaporean market average score for each service area. Collectively the banks received full marks (7 out of 7) for Accounting, compared to the market average of 4.83.

The banks also jointly obtained the lowest average score

of all providers in the survey for Reporting, Reputation and Handling of Non-Domestic Securities. However, the number of responses does not allow for any definitive judgement regarding scores, or types and sizes of clients.

For Citi, Technology was highlighted as a strength by one client, and the banks jointly achieved the highest average score out of the providers for this category by a small margin. Areas of improvement included “better coordination between offices.” For BNP Paribas, one client highlighted its commitment. However, given the small number of responses the banks received, little can be inferred from these results. ■

Other: Respondent priorities ranking



Other: Type of respondent



Other: Size of respondent (AuM)

