

## One direction

Domestic investment will help accelerate the growth of Indian capital markets, already buoyed by sustained foreign institutional interest.

he potential India offers investors, both local and foreign, is well recognised. One securities services provider sums it up succinctly: "India is one of the fastest growing economies in the world and has great business opportunities with the policy drive of the Indian government. The India SENSEX Stock Market Index reached an all-time high of 31,430.32 in June 2017. There have been continuous efforts by the regulator to facilitate capital-raising by alternative investment funds (AIFs) and the custody industry has clearly benefitted from this. Assets under custody (AuC) have grown 14% to USD 1,039,988 million in the calendar year 2016 alone. All this has led to increased service standards and reduced costs for clients."

In a commemorative compendium of interviews published in February by Edelweiss Group, a wide range of policy makers, corporate figures and money managers offer their opinions on why this potential remains undented. Among these is Mark Mo-

## "The very high standards set in the inaugural survey of 2015 have again been maintained."

bius, executive chairman, Templeton Emerging Markets Group, Singapore. "There is no question that India has the potential to get into double-digit growth in very short order," says Mobius. The key will be for the government to enhance regulations with regard to investments... this applies not only to foreign investments, but domestic investments."

The participation of local investment will be crucial in achieving this growth potential. Sunil Singhania, CIO, Equity Investments, Reliance Nippon Life Asset Management acknowledges that capital markets in India are "quite buoyant", but adds, "there has to be a realisation that we need to encourage individuals to invest in financial savings and government should promote penetration of financial assets. We also need to strengthen our local institutions."

### **Market changes**

Given the broad front of economic and societal reform being pursued by the present Indian government under Prime Minister Narendra Modi, securities market changes are not, on their own, the most headline-grabbing aspects of the programme.

Service providers have themselves identified several innovations that will affect the investment climate. Broadly speaking, an increase in the number of Initial Public Offerings (IPOs) has led to a corresponding increase in AUC, while the Mutual Fund segment too has grown significantly.

### FIGURE 1: SERVICE AREA SCORES

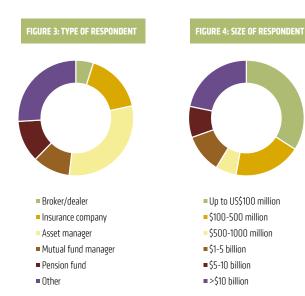
Service area	Average 2017	Average 2016	Difference
Relationship Management and Client Service	6.57	6.34	0.23
Cost and Value Delivered	6.33	6.33	0.00
Settlement and Cash Management	6.54	6.48	0.06
Asset Servicing	6.49	6.34	0.15
Special Operational Requirements	6.49	6.38	0.11
Operational Reporting	6.46	6.39	0.07
Technology	6.31	6.28	0.03
Fund and Unit Accounting and Valuation	6.43	6.58	-0.15
Trustee and Administration Services	6.38	6.30	0.08
Reputation and Asset Safety	6.58	6.57	0.01
OVERALL WEIGHTED AVERAGES	6.48	6.39	0.09

### FIGURE 2 : RELATIVE PRIORITY SCORES

Service area	Priority 1 or 2 (%)	Rank 2017	Rank 2016	Priority 6-10 (%)
Reputation and Asset Safety	38.27	1	2	23.46
Relationship Management and Client Service	33.95	2	3	22.84
Cost and Value Delivered	32.10	3	4	25.93
Settlement and Cash Management	25.31	4	1	22.84
Trustee and Administration Services	16.67	5	10	23.46
Technology	10.49	6	7	40.74
Asset Servicing	9.88	7	5	30.25
Fund and Unit Accounting and Valuation	9.26	8	6	49.38
Operational Reporting	4.32	9	8	61.11
Special Operational Requirements	0.62	10	9	65.43
OVERALL WEIGHTED AVERAGES	6.48	6.39	0.09	

The replacement of the old FII regulations by the FPI Regulations enabling all categories of Foreign Portfolio Investors (FPIs) access to Indian Capital Markets, though initiated in June 2014, is now producing tangible results. "During 2016, a number of FPI-related initiatives were undertaken by the

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regulator, SEBI, Stock Exchanges, Depositories etc.," says one service provider.

### Survey results

This year marks the third Survey of domestic custody services in India. The very high standards set in the inaugural survey of 2015 have again been maintained. Indeed, 2017 aggregate scores are higher in all service categories apart from Fund Accounting and Valuation.

Figure 1 shows the average scores across the survey in each of the ten service categories. Relationship Management and Client Service has registered the highest increase, up 0.23 points to 6.57, among the highest average category scores in any of Global Custodian's surveys. Pleasingly for local service providers in the current climate, the market as a whole scores highly for Reputation and Asset Safety, the best scoring category at 6.58, maintaining last year's impressive results.

At an individual question level, the highest score – 6.60 – is

# "There is no question that India has the potential to get into double-digit growth in very short order."

MARK MOBIUS, EXECUTIVE CHAIRMAN, TEMPLETON EMERGING MARKETS GROUP, SINGAPORE.

recorded for commitment to the custody and securities servicing business, followed by timeliness of resolution of failed trades (6.58). Even the lowest scoring question, quality of shareholder record keeping services, receives a still impressive 6.30, comfortably in the 'Very Good' range.

Figure 2 shows the relative ranking of each of the ten service areas, for both this year and last. This is based on information provided by respondents detailing those factors they consider most important in evaluating service provision. The table shows

that Reputation and Asset Safety has assumed the top position for clients with over 38% of respondents rating it as their first or second priority and roughly 24% ranking it below halfway.

Type and size of respondents to the survey are shown in Figures 3 and 4. Asset managers comprise the largest group of respondents this year at just over 30% compared to 19% in 2016. There has also been a relative shift in size to smaller respondents with those having AUM of up to \$500 million now accounting for over half the response base. This does not, however, mean that larger respondents have dropped out this year. Rather it is reflective of the fact that the number of respondents has more than doubled as has the number of providers rated.

### 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 online questionnaire. This typically involves around 20 questions. The questions are grouped into between eight and 12 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 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 response(s) they provide. Respondents are also described by their type of business and the level of their assets under management (AuM).

Global Custodian 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 where relevant, with 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.

## **Deutsche Bank**

Deutsche Bank AG, Mumbai, claims \$82.83 billion in Indian domestic Assets under custody and \$114.36 billion in foreign owned assets. Its client base is diverse, ranging from global custodians, broker dealers, domestic mutual funds, and insurance companies to portfolio management services and local corporates. It puts its market share for custodial services at 26% of asset management companies in India, 47% of private sector life insurance companies and 20% of alternate investment funds.

The bank's scores have continued their two-year upward trend and exceed the market average in all areas apart from Trustee and Administration Services. Client comments are overwhelmingly positive, particularly in the area of Relationship Management and Client Service. "Superb partner to be associated with," says one asset manager. "The bank has a highly professional team which has in-depth knowledge of the market nuances and always comes up with innovative and out-of-the-box solutions."

At an individual question level, Deutsche Bank's highest score is a perfect 7 for the accuracy of its alternative investment valuations, an area where its product range has expanded over the past year.

### TABLE 1: SERVICE AREA SCORES VERSUS MARKET AVERAGE

Category	Deutsche Bank	India average	Difference
Relationship Management and Client Service	6.76	6.57	0.19
Cost and Value Delivered	6.70	6.33	0.37
Settlement and Cash Management	6.80	6.54	0.26
Asset Servicing	6.74	6.49	0.25
Special Operational Requirements	6.81	3.24	3.57
Operational Reporting	6.85	6.46	0.39
Technology	6.73	6.31	0.42
Fund and Unit Accounting and Valuation (if used)	6.93	6.43	0.50
Trustee and Administration Services (if used)	5.39	6.38	-0.99
Reputation and Asset Safety	6.81	6.58	0.23
OVERALL WEIGHTED AVERAGES	6.73	6.27	0.46

### TABLE 2: HIGHEST AND LOWEST QUESTION SCORES

Top 5 question scores	Score
Accuracy of alternative investment valuations	7.00
Timeliness and accuracy of reports	6.94
Creditworthiness of institution	6.94
Timeliness and accuracy of valuations	6.91
Timeliness of resolution of failed trades	6.89
Bottom 5 question scores	Score
Value received relative to fees paid	6.67
Competitiveness and flexibility of deadline for same-day cash movements	6.67
Knowledge and responsiveness of personnel	5.50
Quality of administration services	5.50
Quality of shareholder recordkeeping services	5.00

### **Edelweiss**

The Edelweiss Group is a diversified financial services company providing a broad range of financial products and services. Edelweiss appears in the India domestic survey for the first time this year, accounting for roughly a fifth of overall responses. It has produced a very creditable set of scores, exceeding the market average in nine out of ten service categories. Though Reputation and Asset Safety falls just short, the score of 6.56 recorded for this, would be envied by providers in most other markets.

The provider's highest category score is 6.75 for Relationship Management and Client Service. This is reinforced by client comments. "The quality of service is exemplary! Response time is remarkable. I think that is what differentiates Edelweiss from the others," says one asset manager. Another praises the firm's "knowledge of the market intricacies, processes and legal structures."

At an individual question level, Edelweiss' highest score is for quality of personnel (6.77), followed by its understanding of clients' specific needs (6.70). At the other end of the scale, accuracy of valuations and accounting for non-domestic securities scores a still impressive 6.33. Another local manager sums it up thus: "All areas of custody are excellent."

### **TABLE 1: SERVICE AREA SCORES VERSUS MARKET AVERAGE**

Category	Edelweiss	India average	Difference
Relationship Management and Client Service	6.75	6.57	0.18
Cost and Value Delivered	6.39	6.33	0.06
Settlement and Cash Management	6.63	6.54	0.09
Asset Servicing	6.63	6.49	0.14
Special Operational Requirements	6.56	3.24	3.32
Operational Reporting	6.57	6.46	0.11
Technology	6.47	6.31	0.16
Fund and Unit Accounting and Valuation (if used)	6.44	6.43	0.01
Trustee and Administration Services (if used)	6.57	6.38	0.19
Reputation and Asset Safety	6.56	6.58	-0.02
OVERALL WEIGHTED AVERAGES	6.57	6.27	0.30

Top 5 question scores	Score
Quality of personnel	6.77
Understanding of your specific requirements	6.70
Knowledge and responsiveness of personnel	6.69
Willingness and ability to customise reporting	6.67
Timeliness of resolution of failed trades	6.65
Bottom 5 question scores	Score
Competitiveness of fees charged	6.41
Sophistication and robustness of core systems	6.41
Accuracy of alternative investment valuations	6.40
Value received relative to fees paid	6.37
Accuracy of valuations and accounting for non-domestic securities	6.33

### **HSBC**

HSBC claims USD 12.5 billion in domestic Indian assets under custody. Of its 11 domestic custody users, five are insurance companies, three are mutual funds, two are alternative investment funds and one is a portfolio manager.

The bank this year accounts for just over 6% of total responses, up from last year and sufficient for an individual rating. Its overall average score has improved substantially from 5.65 in 2016 to 6.27, taking it from the Good to the Very Good results range. Its most improved category score by far is for Trustee and Administration Services, up from a Weak 3.56 to a Good 5.41. Those scores that have fallen slightly – Special Operational Requirements and Fund Accounting and Valuation – still remain well above 6 (Very Good).

At an individual question level, HSBC's highest ratings is for quality of personnel (6.60), followed by timeliness and accuracy of valuations (also 6.60). "HSBC as a custodian has a strong reputation in the market," says one investment manager. "They have robust systems in place and have a team of well informed and experienced personnel. They also have a fool-proof BCM system in place.

#### TABLE 1: SERVICE AREA SCORES VERSUS MARKET AVERAGE

Category	HSBC	India average	Difference
Relationship Management and Client Service	6.48	6.57	-0.09
Cost and Value Delivered	6.22	6.33	-0.11
Settlement and Cash Management	6.30	6.54	-0.24
Asset Servicing	6.26	6.49	-0.23
Special Operational Requirements	6.14	3.24	2.90
Operational Reporting	6.06	6.46	-0.40
Technology	6.17	6.31	-0.14
Fund and Unit Accounting and Valuation (if used)	6.57	6.43	0.14
Trustee and Administration Services (if used)	5.41	6.38	-0.97
Reputation and Asset Safety	6.46	6.58	-0.12
OVERALL WEIGHTED AVERAGES	6.27	6.27	0.00

### **TABLE 2: HIGHEST AND LOWEST QUESTION SCORES**

Top 5 question scores	Score
Quality of personnel	6.60
Timeliness and accuracy of valuations	6.60
Accuracy of alternative investment valuations	6.50
Commitment to the custody and securities servicing business	6.50
Reputation and asset safety	6.46
Bottom 5 question scores	Score
Sophistication and robustness of core systems	6.10
Willingness and ability to customise reporting	6.00
Quality of administration services	5.50
Quality of shareholder recordkeeping services	5.50
Knowledge and responsiveness of personnel	5.25

# IL&FS Securities Services Ltd

IL&FS is another new entrant to a full rating in this year's survey. It counts some \$8,200 million in domestic assets under custody. Its client base includes corporates and high net worth individuals alongside portfolio managers and investment funds. It also describes itself as of one of the leading non-bank providers of custody services to foreign portfolio investors.

At a service category level, it is rated highest for Relationship Management and Client Service (6.22) and Reputation and Asset Safety (6.21). While on balance it falls shy of the market average in most service areas, it exceeds the average for Special Operational Services by a full 3.12 points. At an individual question level it scores 6.22 for both quality of personnel and understanding of specific client requirements. It is let down slightly by ease of use and comprehensiveness of client-facing technology (5.56). Client comments to add colour to the ratings are few, but are largely positive, though one client would like to see more attention paid to the "sending of market files."

### **TABLE 1: SERVICE AREA SCORES VERSUS MARKET AVERAGE**

Category	IL&FS	India average	Difference
Relationship Management and Client Service	6.22	6.57	-0.35
Cost and Value Delivered	5.72	6.33	-0.61
Settlement and Cash Management	5.99	6.54	-0.55
Asset Servicing	5.85	6.49	-0.64
Special Operational Requirements	6.36	3.24	3.12
Operational Reporting	5.74	6.46	-0.72
Technology	5.58	6.31	-0.73
Fund and Unit Accounting and Valuation (if used)	5.67	6.43	-0.76
Trustee and Administration Services (if used)	5.95	6.38	-0.43
Reputation and Asset Safety	6.21	6.58	-0.37
OVERALL WEIGHTED AVERAGES	5.96	6.27	-0.31

Top 5 question scores	Score	
Effectiveness of Handling Settlement Custody and Asset Servicing for non-domes	stic Securities 6.36	
Commitment to the Custody and Securities Servicing Business	6.35	
Quality of personnel	6.22	
Understanding Of Your Specific Requirements	6.22	
Knowledge and responsiveness of personnel	6.13	
Bottom 5 question scores	Score	
Knowledge and responsiveness of personnel	6.13	
Quality of administration services	6.00	
Quality of shareholder recordkeeping services	5.57	
Commitment to the custody and securities servicing business	6.35	
quality of personnel and understanding of client	6.00	

## Kotak Mahindra Bank Ltd

Kotak Mahindra Already has an enviable reputation in the servicing of foreign clients are regularly scores highly in the Global Custodian Agent Bank in Emerging Markets (ABEM) survey.

While the bank's overall score, 6.27, remains comfortably in the 'Very Good' range, category scores are off last year's rather stellar highs. Its highest category score this year is for Asset Servicing. At 6.48, this represents a fall of 0.36 points since last year's survey.

At a question level, the highest scores are recorded for accuracy and timeliness of dividend notification and crediting (6.58) and timeliness and accuracy of valuations (6.50). At the other end of the scale, Kotak scores 5.57 for effectiveness of handling settlement, custody and asset servicing for non-domestic securities and 5.75 for quality of shareholder recordkeeping services. Nevertheless, a score above 5.50 suggests broad client satisfaction with the service received. One local client comments: "Kotak has the best online margin maintenance in the market."

# Orbis Financial Corporation Ltd

Orbis accounts for some 12% of responses in this year's India domestic custody services and as a result qualifies for a full write up this year. Its category scores are impressive, exceeding the market average in nine of the ten service categories and matching that average in the Relationship Management and Client Service.

Client comments single out different aspects of service for praise. Reporting is one area where Orbis has been investing over the past year and this is recognised by one investment advisory firm. "The reporting portal is quite flexible and our end-clients are quite happy," says the company, adding that "Exceptional cases are handled quite well. There is a dedicated contact, and a comprehensive on-boarding process." Another client points to "a supportive, client-oriented back office team, which resolves issues on time." The group's lowest score at a question level is for competitiveness of fees charged, but at 6.39, this is still impressive.

### TABLE 1: SERVICE AREA SCORES VERSUS MARKET AVERAGE

Category	Kotak Mahindra	India average	Difference
Relationship Management and Client Service	6.21	6.57	-0.36
Cost and Value Delivered	6.23	6.33	-0.10
Settlement and Cash Management	6.41	6.54	-0.13
Asset Servicing	6.48	6.49	-0.01
Special Operational Requirements	5.57	3.24	2.33
Operational Reporting	6.29	6.46	-0.17
Technology	6.30	6.31	-0.01
Fund and Unit Accounting and Valuation (if used)	6.31	6.43	-0.12
Trustee and Administration Services (if used)	5.86	6.38	-0.52
Reputation and Asset Safety	6.43	6.58	-0.15
OVERALL WEIGHTED AVERAGES	6.27	6.27	0.00

### TABLE 2: HIGHEST AND LOWEST QUESTION SCORES

Top 5 question scores	Score
Accuracy and timeliness of dividend notification and crediting	6.58
Timeliness and accuracy of valuations	6.50
Effectiveness in matching and settlement rates	6.46
Timeliness of resolution of failed trades	6.46
Commitment to the custody and securities servicing business	6.43
Bottom 5 question scores	Score
Accuracy of alternative investment valuations	6.00
Quality of administration services	6.00
Knowledge and responsiveness of personnel	5.75
Quality of shareholder recordkeeping services	5.75
Effectiveness of handling settlement, custody and asset servicing for non-domestic securities	5.57

### TABLE 1: SERVICE AREA SCORES VERSUS MARKET AVERAGE

Category	Orbis Financial	India average	Difference
Relationship Management and Client Service	6.56	6.57	-0.01
Cost and Value Delivered	6.48	6.33	0.15
Settlement and Cash Management	6.58	6.54	0.04
Asset Servicing	6.61	6.49	0.12
Special Operational Requirements	6.71	3.24	3.47
Operational Reporting	6.64	6.46	0.18
Technology	6.52	6.31	0.21
Fund and Unit Accounting and Valuation (if used)	6.64	6.43	0.21
Trustee and Administration Services (if used)	6.77	6.38	0.39
Reputation and Asset Safety	6.77	6.58	0.19
OVERALL WEIGHTED AVERAGES	6.61	6.27	0.34

Top 5 question scores	Score
Quality of shareholder recordkeeping services	6.87
Accuracy of valuations and accounting for non-domestic securities	6.86
Knowledge and responsiveness of personnel	6.82
acy of valuations and accounting for non-domestic securities	6.79
Accuracy and timeliness of dividend notification and crediting	6.78
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Bottom 5 question scores	Score
Competitiveness and flexibility of deadline for same-day cash movements	6.47
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Competitiveness and flexibility of deadline for same-day cash movements	6.47
Competitiveness and flexibility of deadline for same-day cash movements Willingness and ability to customise reporting	6.47

## Standard Chartered Bank

While Standard Chartered's response is of a similar to size to last year's it contains only 25% of returning participants. The bank's results are therefore not directly comparable with its performance in 2016. Overall, it inches ahead of the market average- though results vary in this regard across the 10 service categories. It falls slightly below that average in seven service categories though none to a degree that should cause concern. Its scores at a category level are also all in the Very Good range (6.00-6.99). In one area, Special Operational Requirements, which covers inter alia the processing of non-domestic securities, the bank excels, scoring 2.93 points higher than the frankly weak 3.24 market average.

Even at a question level, no score is recorded below 6.00. At the top end, the bank records a score of 7.00, the highest possible, for quality of administration services and quality of shareholder recordkeeping services, the latter being one function that is often rated relatively harshly in this market.

#### TABLE 1: SERVICE AREA SCORES VERSUS MARKET AVERAGE

Category	Standard Chartered	India average	Difference
Relationship Management and Client Service	6.42	6.57	-0.15
Cost and Value Delivered	6.10	6.33	-0.23
Settlement and Cash Management	6.23	6.54	-0.31
Asset Servicing	6.33	6.49	-0.16
Special Operational Requirements	6.17	3.24	2.93
Operational Reporting	6.48	6.46	0.02
Technology	6.00	6.31	-0.31
Fund and Unit Accounting and Valuation (if used)	6.19	6.43	-0.24
Trustee and Administration Services (if used)	6.67	6.38	0.29
Reputation and Asset Safety	6.43	6.58	-0.15
OVERALL WEIGHTED AVERAGES	6.29	6.27	0.02

### TABLE 2: HIGHEST AND LOWEST QUESTION SCORES

Top 5 question scores	Score
Quality of administration services	7.00
Quality of shareholder recordkeeping services	7.00
Understanding of your specific requirements	6.67
Timeliness and accuracy of reports	6.57
Timeliness and accuracy of valuations	6.50
Bottom 5 question scores	Score
Ease of use and comprehensiveness of client-facing technology	6.00
Sophistication and robustness of core systems	6.00
Accuracy of alternative investment valuations	6.00
Accuracy of valuations and accounting for non-domestic securities	6.00
Knowledge and responsiveness of personnel	6.00

## **Stockholding**

Stockholding claims domestically-owned assets under custody of \$190 billion, making it India's largest custodian by assets and volumes. It has 250 clients for its custody services, including six mutual funds, 19 insurance companies, 77 banks and 105 pension funds.

Its scores have risen across the board compared to last year, with the exception of Reputation and Asset Safety, which held more or less steady at a particularly impressive 6.80. The only category recording a slightly higher score was Relationship and Client Service with a score of 6.82, up 0.24 over the year.

It exceeds the market average comfortably in all areas. At a question level, its best result is recorded for the accuracy of alternative investment valuations (6.91), followed by effectiveness in matching and settlement rates (6.85) and quality of personnel. Even its lowest question score – 6.42 for competitiveness of fees charged – is impressive.

Client comment is plentiful and largely complimentary. "Excellent settlement and cash management system, client relationship and reputation & asset safety; also prompt clarification when required," says one large investment manager.

### **TABLE 1: SERVICE AREA SCORES VERSUS MARKET AVERAGE**

Category	Stockholding	India average	Difference
Relationship Management and Client Service	6.82	6.57	0.25
Cost and Value Delivered	6.52	6.33	0.19
Settlement and Cash Management	6.80	6.54	0.26
Asset Servicing	6.66	6.49	0.17
Special Operational Requirements	6.75	3.24	3.51
Operational Reporting	6.71	6.46	0.25
Technology	6.44	6.31	0.13
Fund and Unit Accounting and Valuation (if used)	6.83	6.43	0.40
Trustee and Administration Services (if used)	6.70	6.38	0.32
Reputation and Asset Safety	6.80	6.58	0.22
OVERALL WEIGHTED AVERAGES	6.71	6.27	0.44

Top 5 question scores	Score
Accuracy of alternative investment valuations	6.91
Competitiveness of fees charged	6.85
Quality of personnel	6.82
Understanding of your specific requirements	6.82
Accuracy of valuations and accounting for non-domestic securities	6.82
Bottom 5 question scores	Score
Bottom 5 question scores  Effectiveness in dealing with corporate actions	<b>Score</b> 6.63
Effectiveness in dealing with corporate actions	6.63
Effectiveness in dealing with corporate actions Willingness and ability to customise reporting	6.63