

leading companies. And, in an ever more global environment, that is arguably what is required. While local investors may be happy to encourage and support local businesses in attractive domestic niches, tourism say, they are unlikely to yield the kind of large liquid investment opportunities that already exist in many different European countries. While it is the case that in most countries the number of new listings is growing, the level of overall market capitalisation remains small in world terms, where overall market capitalisation is now approaching \$10 trillion. The purchase of one established bank or power utility provider by a larger western European or North American company can set back both local market liquidity and stock market capitalisation dramatically and in ways that are hard to offset through new listings.

The next step

To some extent a solution has to do with passage of time and the progressive build up of local savings markets and products. The progress made in only 25 years or so is indeed impressive by almost any measure. However any consideration of the future has to take account not only of what is happening in these countries themselves, but also what is happening in the environment in which their stock exchanges are operating. Here the message is less encouraging. Around the world a process of exchange consolidation is proceeding inexorably towards a situation where a few global groups control most of the world's exchanges. How they choose to act and how they develop will set the standards that others with less resources will be forced to follow. Sharing technology platforms and regulatory infrastructures may help, but cannot disguise the fact that these local markets may never become big enough to be viable and, if it looks as if they might, then they will probably be acquired by a large worldwide group.

What next?

In spite of extraordinary progress much remains to be done.

A generation of young people have grown up in Central and Eastern Europe who have never known what it was like to live in an environment where everything was provided, or not, by the state. One of the first acts of many of the new governments that succeeded communist regimes was to establish a national stock exchange. The purpose in part was to facilitate a secondary market in state companies that had been privatised. But there was an overtly political dimension, namely a desire to adopt one of the key symbols of capitalism as a statement of intent. In almost every case it has been at least a qualified success, acting as a focal point for a more general development of savings, banking and other financial markets. Investors, both local and foreign have been able to engage with a stock

market listing companies with whom they were familiar; such as utilities and banks, and watch their progress as commercial enterprises, as direct or indirect shareholders participating in their business success.

In spite of their political success however, many central and eastern European stock markets struggle to offer significant numbers of listings or the level of liquidity that is necessary to regard them as commercially viable in their own right. That position is neither unique to them nor is it their fault. The simple fact is that the economies of many of the countries involved remain small. In many cases, where population is modest, they are likely to remain so. Croatia, for example, has only a little over 4 million people and a GDP of approximately \$57 billion. That is hardly the best environment in which to grow global

Of course it is the case that small, mid-size and large European and North American markets are just as much victims of consolidation as those further east. Smaller markets face competition for new listings that is global in reach. Major groups are just as likely, in fact probably more likely, to buy a London stock exchange as one in Bucharest. But it is the context, particularly the political context that is so different. Twenty-five years ago any western government worth the name, thought it was important to have its own 'flag carrier' airline not least for the supposed prestige. Today such an idea would be considered laughable. Similarly governments in western Europe and America are unconcerned about who owns and operates their stock market. But such a hands-off attitude presupposes that the stock market will always exist, and even if it does not, opportunities for companies to raise capital and invest savings will not be completely lost. As such owning your own national stock exchange is no longer seen as a requirement for a successful economy that creates new companies and facilitates their growth into national success stories. It may turn out that western governments should have been a little less sanguine about the long term consequences of no longer owning your exchange. For central European markets, the matter is one of pivotal importance to the way in which they plan to grow their economies and move towards standards of living closely comparable to those of their richer near neighbours.

Russian exceptionalism

Of the seven countries covered in the survey, six have populations of less than 20 million, and in four cases less than ten million. GDP per head ranges from around \$820,000 per annum with both Romania and the Czech Republic having annual GDP of around \$200 billion. By contrast the Russian Federation, with a GDP of nearly \$2 trillion and almost 150 million people represents a very large opportunity. However it is an opportunity that is as yet barely realised. Russia offers companies of genuinely global reach, especially in the natural resource sector. Its population offers real scale as far as savings markets are concerned and its stock exchange should be supportive of that.

The market has worked hard in terms of bringing its infrastructure up to globally competitive levels. As Andy Duffin, Managing Director, Head of Sales Head of Sales and Relationship Management, Emerging Markets at Societe Generale Securities Services notes, "the Russian market has already seen and will see further significant change with the introduction of automated pre-matching, electronic voting via CSD, the "cascade" Corporate Action processing and other aspects of the ongoing corporate actions reform. Whilst the improvements to the market infrastructure are very positive for the custodian banks and the market as a whole, they have been made against a backdrop of international sanctions, low oil prices and a falling ruble which have created different challenges for the custodian community in terms of managing costs."

In 2012 it seemed possible that the Russian market would indeed develop very positively. Market capitalisation

approached \$1 trillion, a proportion of GDP that was not out of line with many major markets. However, the decline in natural resource prices has not been kind to Russia and by year end 2015 market cap was down to below \$400 billion, less than one-third the size of Korea.

Clearly Russia has the capacity to single-handedly change the way these markets are regarded. It is not clear that it has the political interest or will in making that happen.

The role of administrators

In our survey we cover the perception that local clients have of their local custodians, trustees and administrators. Why does this matter? Put simply if these markets are to grow to reach close to their potential, it is essential that investors have confidence. Custodians, trustees and administrators are critical, along with regulators in making sure that assets are protected and fairly valued. They are therefore a key to investor confidence and that in turn is a key to market development and growth. The Investment Company Act of 1940 established mutual funds in the US but it was the banks that provided core services that really enabled the extraordinary growth in US based funds. The Survey overview that follows looks at each of the countries individually and how they compare. The provider profiles that follow show how good a service specific banks are providing. As the results show, the good news is that in general clients are very satisfied and as such administrators are playing their part in ensuring future successful development of savings and capital markets in these countries. ●

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 on-line 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 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.

Bulgaria

Bulgaria accounted for nearly 13% of the weighted responses and in-line with the survey as a whole saw response numbers up sharply from 2015. In total four banks received responses. However both Unicredit and Raiffeisen Bank International failed to receive enough responses to generate a statistically reliable survey score. As such the responses were dominated by the local operations of Eurobank Bulgaria (Postbank) and Societe Generale Expressbank. These banks each received similar numbers of responses. In terms of size of respondents, more than 80% by weight have fewer than \$500 million of AuM. Given the relative immaturity of the market this is not entirely surprising and while response numbers were higher the average size of client declined. Equally 2016 saw the inclusion of asset managers, none of whom responded to the inaugural survey. In general these institutions are smaller than some other types of client and this probably was the main reason behind the decline in average size.

The different mix of size and type of client also has an effect on the nature of client priorities. However it is notable that the top three most important service categories remain unchanged from 2015. In fact the relative importance of all three categories was higher in 2016 than a year ago. Two other areas that were more important this year were Reputation and commitment as well as Technology. The nature of the local market may go some way to explaining the growing importance of reputation. Technology may be explained by a desire by businesses to see higher levels of automation as their business grows. In the early stages of market development, generating AuM is a key priority and processes may involve manual activity. However as businesses grow that becomes less acceptable as well as being less profitable. The result is that provision of technological solutions becomes more important to clients as they develop their business. Both Trustee service and Fund accounting and valuation were less important than in 2015 which given the

fact that mutual funds remained more than one-third of all respondents is somewhat surprising.

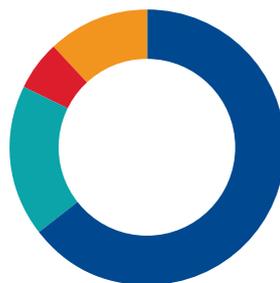
In general client comments reflected positive views of all service providers. One thing that appears to be important for some clients at least, is the ability to handle matching and settlement of back-to back trades and other aspects that might be labelled as special processing requirements. It is clear from comments that not all providers do equally well in this area. The other area that attracted some criticism from clients is the area of cash management both in terms of flexibility and rates of interest. By contrast providers received positive comments around relationship management and especially the high levels of responsiveness and knowledge among key account personnel. One client even commented very favourably on the 'competitive price and great value' offered by their provider. This is a rare accolade in the context of surveys of this kind.

In terms of the scores themselves, these failed to match the excellent and extraordinary levels of 2015. Given the higher number of responses this is probably not surprising. Scores were lower this year in all ten categories of service. In some cases the decline was significant. Average scores for Reporting fell by more than 1.1. points. Even so it should be noted that average scores in all areas were better than 5.45 points i.e. still mid way between 5.0 (Good) and 6.0 (Very Good). Were it not for the very high scores achieved last year, such a performance would be a matter of some pride for all providers. Overall the market appears to be well reserved and, with more investment in technology, capable of significant controlled future growth. ●

Bulgaria: Type of respondent



Bulgaria: Size of respondent (AuM)



Bulgaria: Service area scores

Service area	2016	2015
Relationship management & client service	6.24	6.79
Value delivered	5.83	6.37
Settlement	5.78	6.39
Asset Servicing	5.84	6.72
Non-domestic assets	6.00	6.68
Reporting	5.45	6.58
Technology	5.65	6.40
Fund accounting & valuation	6.15	6.51
Trustee & fund administration	6.55	6.79
Reputation & commitment	5.89	6.45

Bulgaria: Respondent priorities ranking

Service area	2016	2015
Relationship management & client service	10.54	10.38
Value delivered	10.15	8.88
Settlement	10.38	9.00
Asset Servicing	6.25	7.88
Non-domestic assets	4.00	4.13
Reporting	6.38	7.75
Technology	5.42	4.43
Fund accounting & valuation	4.43	5.67
Trustee & fund administration	4.17	7.17
Reputation & commitment	8.62	6.25

Croatia

Response numbers for Croatia grew by 25% compared with the inaugural 2015 survey. This was slower than the overall rate of growth in responses but nonetheless added further to the statistical robustness of the information provided through the survey. The business was divided between two main service providers. Societe Generale was the market leader based on responses received, while Privredna banka, part of the San Paolo Intesa group also received a reasonable number of responses.

In terms of the type of client responding the survey produced a broad range. All types of asset managers were represented with the major group being mutual fund managers. There were also responses from brokers and the number of banks and corporate responses was higher than in 2015. This offset a relative decline in insurance company respondents. As might be expected given the modest size of the overall capital markets, the average AuM was small. Almost three-quarters of respondents had AuM of less than \$500 million. However there were some larger clients represented and the overall profile was not dissimilar to that in other countries covered by the survey.

In terms of scores the position is encouraging. Scores seen in 2015 were generally at a high level. However this was further improved on this year. In seven of the ten categories covered in the survey, 2016 scores surpassed those recorded a year ago. In the case of Reporting scores were up by nearly half a point. As a result of these improvements nine of the ten categories had an average score better than 6.0 (Very Good). The only area to fail to meet this standard was Technology and even in this case the score was 0.23 points better than a year ago.

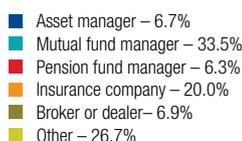
In terms of absolute scores the area with the best result was Relationship management and client service where the average score was 6.60. These scores were supported by very positive client comments. One client specifically referred to the “quality

of personnel who are always willing to try to meet client needs” and both major providers were clearly well regarded. One mutual fund client saw Fund accounting and valuation as a specific strength which is encouraging given the relatively specialised nature of service provision in that area. In terms of areas to improve, Technology was mentioned by one or two clients. Of more concern appeared to be the cost of services and Value delivered. This is not surprising within the context of the survey as a whole and also in a situation where core services are perceived as being delivered to a very high standard.

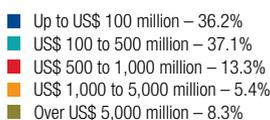
It is interesting to note that service priorities in Croatia are slightly different from other countries. Specifically in each of the surveys, Relationship management and client service have not been seen as important here as elsewhere. This year the relative importance did increase and as a result the category did move into the top three. However it remains some way behind both Value delivered and Settlement. Across the Survey as a whole it is ahead of all other categories.

One area where importance decreased noticeably was in Trustee and fund administration services, but this was in line with the overall survey results. Interestingly Fund accounting and valuation remained the fourth most important priority, somewhat higher than its ranking of sixth in the survey as a whole. This may reflect the relatively large proportion of mutual fund managers responding in Croatia. Based on the improved scores in the key priority areas for clients it is clear that the providers in Croatia, collectively and individually are seen as performing very strongly and the market has firm foundations on which to develop. ●

Croatia: Type of respondent



Croatia: Size of respondent (AuM)



Croatia: Service area scores

Service area	2016	2015
Relationship management & client service	6.60	6.54
Value delivered	6.14	5.85
Settlement	6.47	6.11
Asset Servicing	6.38	6.49
Non-domestic assets	6.36	6.42
Reporting	6.31	5.89
Technology	5.92	5.69
Fund accounting & valuation	6.50	6.28
Trustee & fund administration	6.57	6.55
Reputation & commitment	6.41	6.73

Croatia: Respondent priorities ranking

Service area	2016	2015
Relationship management & client service	8.73	7.33
Value delivered	10.13	10.42
Settlement	11.07	10.17
Asset Servicing	6.80	6.58
Non-domestic assets	4.53	5.92
Reporting	5.47	6.58
Technology	4.87	5.17
Fund accounting & valuation	7.33	8.78
Trustee & fund administration	2.46	4.56
Reputation & commitment	7.33	7.08

Czech Republic

The Czech Republic is one of the larger and more developed of the countries covered in the survey. This is reflected in the number and breadth of responses received. Responses were more than 50% higher than a year ago and accounted for just over one-quarter of all those received for the survey weighted by size of respondent and slightly less based on number of responses. The breadth of responses is reflected in the fact that all types and sizes of clients were included.

As was the case generally within the survey there were fewer responses from insurance companies in the Czech Republic in 2016 than in the inaugural survey and there were also fewer broker responses. However those from banks and corporate entities were higher while all types of asset manager and some pension funds also completed the survey. The proportion of responses from small clients (those with less than \$500 million AuM) was less than half of the total, down from 51% in 2015. There was a sharp growth in the number of clients with AuM between \$500 million and \$1 billion.

Client priorities in the Czech Republic had appeared somewhat anomalous in 2015, being even less differentiated than the survey as a whole and having the handling of non-domestic assets as the most important single priority. That has changed this year with the market more closely resembling the overall survey position. This year saw Value delivered as the most important area for clients, almost doubling in relative criticality compared to 2015. In line with the survey it was joined in the top three priorities by Relationship management and client service and the core operational aspect of Settlement. One area where the market is still a little different is in terms of Fund accounting and valuation where the level of importance gained 2.5 points compared to being effectively unchanged in the survey as a whole.

The scores for the market reflected the relative breadth of activity both this year and in 2015. In both years scores were

more consistent and generally a little lower than the overall results. This no doubt reflects the relative maturity of the market and the fact that a range of client requirements needs to be handled effectively by the major providers. Even so the conclusion must be that overall the providers are performing at a high level.

Four providers received responses and in the case of three of them, sufficient to merit inclusion in the provider write-ups. By far the largest, based on weight of responses received is CSOB. They are followed by Ceska sporitelna and Societe Generale, with Unicredit being the final bank involved. Average scores were down slightly across the market, with seven of the ten categories posting weaker results than in 2015. However, the declines were generally quite small, typically less than 0.10 points. This is typical of a relatively well established market with stable and effective service provision. Of the three areas to show improved scores Fund accounting and valuation is probably the most interesting as well as the one showing most gain.

Client comments reflected perceived strength in Relationship management among all major providers. This was reflected in both the expertise and flexibility of personnel coupled with “excellence in operational support,” as noted by one client in particular. There were fewer negative comments or areas needing improvement than in the survey as a whole. Apart from a few concerns expressed about Value delivered and fees clients really have few or no complaints. Obviously the market is competitive with a number of qualified providers and this no doubt works to the continuing benefit of all clients. ●

Czech Republic: Service area scores

Service area	2016	2015
Relationship management & client service	6.62	6.69
Value delivered	6.03	6.09
Settlement	6.57	6.58
Asset Servicing	6.45	6.34
Non-domestic assets	6.42	6.45
Reporting	6.46	6.39
Technology	6.33	6.38
Fund accounting & valuation	6.51	6.23
Trustee & fund administration	6.43	6.51
Reputation & commitment	6.76	6.87

Czech Republic: Respondent priorities ranking

Service area	2016	2015
Relationship management & client service	11.30	7.50
Value delivered	12.00	6.83
Settlement	10.15	6.17
Asset Servicing	7.60	6.89
Non-domestic assets	5.17	7.77
Reporting	5.00	5.94
Technology	5.23	5.65
Fund accounting & valuation	6.50	4.00
Trustee & fund administration	3.88	3.60
Reputation & commitment	7.73	5.22

Czech Rep: Type of respondent



Asset manager – 6.9%
Mutual fund manager – 17.2%
Pension fund manager – 10.3%
Insurance company – 6.9%
Broker or dealer – 10.3%
Other – 48.3%

Czech Rep: Size of respondent (AuM)



Up to US\$ 100 million – 23.1%
US\$ 100 to 500 million – 25.4%
US\$ 500 to 1,000 million – 15.0%
US\$ 1,000 to 5,000 million – 32.3%
Over US\$ 5,000 million – 4.3%

Romania

The most mentioned strength of service providers in Romania was Reputation and asset safety. While this was noted in other countries, the level of reference in Romania was unusually high. As far as areas for improvement are concerned the only aspect to be mentioned with any regularity was fees, though some clients are also concerned about the ability to handle foreign activity, especially in some emerging markets. Romania has itself been growing rapidly as an investment destination for foreign investors and has worked hard to bring internal standards up to globally competitive levels. The role of providers, especially Societe Generale in assisting that process is certainly appreciated by clients.

The growth of the Romanian market was reflected in the fact that in 2015 it received more responses than any other country covered in the Survey. Despite response numbers increasing, it was surpassed this year by the Czech Republic. Nonetheless it still accounted for almost one-sixth of the total numbers of responses and nearly 19% based on weighted responses. 69% of responses were from clients with less than \$500 million AuM. This is lower than the 75% seen a year ago and is typical of the countries in the survey. In general average AuM of respondents was a little higher in 2016 than a year previously as would be expected in a generally positive environment for growth of both market capitalisation and savings levels. Responses based on type of client were quite similar to those seen in 2015. Mutual fund managers remain the single largest group, though slightly less dominant than a year ago. This year also saw responses from some brokers who were not represented in the 2015 results. In general the responses reflect a broad base of small but growing clients.

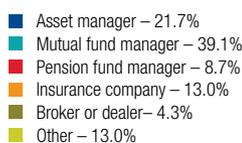
Client priorities last year were focused very heavily on Technology, which dominated client thoughts according to responses provided. This year by contrast Technology has become the least important priority for clients. In common

with the comments made, Reputation and commitment more than doubled in importance, from 4.85 to 9.96 and became, after Relationship management and client service, the single most important element from a client priority perspective.

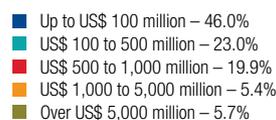
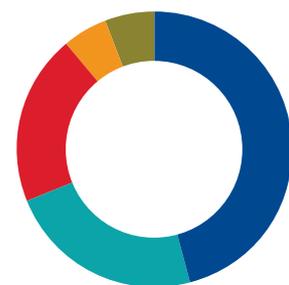
Fund accounting and valuation also saw a marked increase in relative priority, no doubt being impacted by the number of mutual fund managers responding to the Survey for Romania. The third priority was Value delivered and it is perhaps worth noting that core operational and reporting areas were considered somewhat less important in Romania than in the survey as a whole.

The results in 2015 were by any standard exceptional, with all categories of service receiving scores of very close to 7.0 (Excellent). This probably reflected the lack of maturity of both the survey and the market as a whole. As might be expected the level of performance seen a year ago was not sustainable. In nine of the ten categories scores were lower in 2016. The one exception was Reporting which was the weakest area from a scoring perspective a year ago. In light of comments and priorities it perhaps merits note that scores for Reputation and commitment fell by 0.21 points, the second largest decline in any of the service categories. Declines in scores in core operational areas such as Settlement and Asset servicing were modest. Technology scores were lower but only in line with declines generally in the market. In spite of the general decline in scores the position of providers remains very strong. Both Banca Commerciala Romana, which is part of the Erste Group and Societe Generale deserve credit for maintaining such very high standards. ●

Romania: Type of respondent



Romania: Size of respondent (AuM)



Romania: Service area scores

Service area	2016	2015
Relationship management & client service	6.78	6.89
Value delivered	6.48	6.68
Settlement	6.68	6.74
Asset Servicing	6.83	6.88
Non-domestic assets	6.76	6.79
Reporting	6.77	6.71
Technology	6.68	6.80
Fund accounting & valuation	6.78	6.88
Trustee & fund administration	6.61	6.87
Reputation & commitment	6.77	6.98

Romania: Respondent priorities ranking

Service area	2016	2015
Relationship management & client service	10.48	7.25
Value delivered	8.87	4.90
Settlement	7.00	7.35
Asset Servicing	6.30	5.60
Non-domestic assets	6.57	7.85
Reporting	5.61	7.80
Technology	3.35	12.40
Fund accounting & valuation	7.61	5.63
Trustee & fund administration	4.47	6.84
Reputation & commitment	9.96	4.85

Russia

Service providers were keen that Russia be included in the survey in 2016, having been deliberately omitted from the inaugural initiative a year ago. As a result a decision was taken to include Russia this year. For the first year of involvement the number of responses was good but perhaps did not reflect the scale of business being conducted in the market. Overall Russia accounted for a little over 13% of all responses with the figure being the same whether viewed in terms of absolute numbers or taking account of the weight assigned to different respondents.

Over time it might be expected that Russia would become more important in the survey. The responses to the survey were dominated by VTB Bank on the one hand and the SGSS Russia (Rosbank). According to their own estimates VTB Bank has a significantly greater level of assets in custody than SGSS Russia. This is reflected in the level of responses received for the two banks, with VTB Bank accounting for some 70% of overall responses based on weight of respondents and a marginally lower proportion in terms of absolute numbers.

VTB Bank comments that around half of its clients are corporate entities rather than financial institutions. This is supported by the responses received for the survey. More than two-thirds of responses came from Other clients reflecting corporate and other firms that are not specialist asset managers or large asset owners such as pension funds. In fact there were no responses from either insurance companies or pension funds, but mutual fund and other asset managers were solidly represented in the responses. In terms of the size of respondents the position of Russia included a higher average AuM than was typical in the survey.

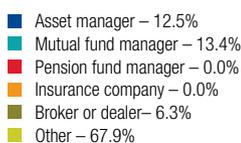
More than 30% of respondents had AuM in excess of \$1 billion. Even so nearly half of respondents were in the very small (<\$100 million AuM) category. While the respondents did

not form as broad a base of input as for example in the Czech Republic, they nonetheless do reflect the Russian market in a fairly accurate way.

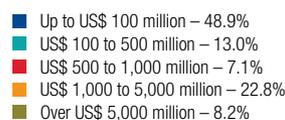
In terms of priorities and scores it is worth noting that there were no evaluations of either Trustee and fund administration services or Fund accounting and valuation. This no doubt reflects both the services required and the nature of the respondents completing the survey. As far as priorities for clients are concerned it is interesting to note that Reputation and commitment was the second highest priority here, compared to fourth highest in the survey. Only Relationship management and client service was seen as more critical by clients of Russian providers. While the differences were slight the fact that Value delivered ranked as only the fifth most important element is also worthy of note.

As far as actual scores are concerned the performance of the Russian market and the key providers is generally strong. While there is no comparable data from 2015, the fact that all scores are better than 6.40 is very positive even in a market that is relatively immature in terms of domestic custody service provision. The lowest score coming for Value delivered is to be expected in the context of the survey as a whole. Whether this level of customer satisfaction can be maintained is not certain, but clearly the position reflected here is highly encouraging. Clients did not at this stage suggest areas for further improvement and strengths were consistent with the scoring, focusing on the efficiency of staff and effectiveness of operations and particular satisfaction with the provision of customised services. ●

Russia: Type of respondent



Russia: Size of respondent (AuM)



Russia: Service area scores

Service area	2016	2015
Relationship management & client service	6.63	N/A
Value delivered	6.42	N/A
Settlement	6.75	N/A
Asset Servicing	6.67	N/A
Non-domestic assets	6.69	N/A
Reporting	6.63	N/A
Technology	6.55	N/A
Fund accounting & valuation	N/A	N/A
Trustee & fund administration	N/A	N/A
Reputation & commitment	6.64	N/A

Russia: Respondent priorities ranking

Service area	2016	2015
Relationship management & client service	11.56	N/A
Value delivered	8.06	N/A
Settlement	8.13	N/A
Asset Servicing	8.25	N/A
Non-domestic assets	5.87	N/A
Reporting	7.69	N/A
Technology	6.88	N/A
Fund accounting & valuation	2.33	N/A
Trustee & fund administration	2.00	N/A
Reputation & commitment	10.63	N/A

Serbia

Although Serbia was technically included in the inaugural 2015 survey, the number of responses received was not sufficient for any valid conclusions to be drawn about the market or the service providers operating within it. 2016 by contrast has seen a very significant growth in the response rate, with the result that Serbia accounted for more than 10% or responses measured both in terms of absolute numbers and weighted based on AuM of respondents. However it should be noted that the profile of respondents from Serbia, and most specifically for Vojvodjanska Bank was quite different from that seen in other countries covered. The proportion of responses from brokers, as opposed to asset managers or asset owners was very much higher. Brokers accounted for almost 85% of responses based on weight. By contrast mutual fund managers were less than 10% of the total. This compares with typically one-third of responses in other countries. Other providers, which include Societe Generale and Unicredit had client profiles more in line with the rest of the survey. In terms of size only Bulgaria had a higher proportion of clients with AuM of less than \$100 million. Again this no doubt results from the nature of the business of the respondents as well as the fact that the market remains quite underdeveloped in terms of extensive use of savings products.

The mix of clients also contributed to the fact that client priorities in Serbia are a little different from the survey as a whole. The most important aspect of service was Settlement. For brokers settlement is the most critical element of operations to support their business and that naturally affects the priority setting in the context of the survey. Less surprising was the fact that Relationship management and client service was second highest. In terms of underrepresentation the most illuminating was the lack of importance attached by respondents to Reputation and commitment. In most countries this was in or close to the top three priorities and in some

cases the most important. In Serbia it did not feature in the top five items of concern. Equally the relevance of Technology to clients appears relatively low. Elsewhere we have noted that dependence on manual capabilities is acceptable up to a point and only after markets have grown to some extent do clients recognise the critical need for good technology to move business further forward and enhance profitability. It may be that Serbia has yet to reach that stage as far as many clients are concerned.

As is acknowledged in the provider profile, Vojvodjanska Bank received consistent high praise from clients for its ability to handle difficult requirements effectively and being flexible. Again this is in many cases easier to achieve where levels of technology are lower as technology tends to restrict the ability to offer custom services very efficiently. Nonetheless it is clear that client perceptions of service remain very positive at this stage. This is also reflected in the scores seen across the Serbian market as a whole. The data from 2015 does not support direct comparison or evaluation of any trends. However the scores recorded in 2016 are generally excellent with an average of better than 6.50 in eight of the ten categories. Lower scores seen in Trustee and Fund accounting services probably reflect lack of meaningful activity among the majority of respondents as opposed to real service issues.

Maintaining scores in an environment where there is a broader base of respondents and larger and more sophisticated clients will certainly be a challenge for the future. However for the present client perceptions are clearly positive and all providers should be congratulated. ●

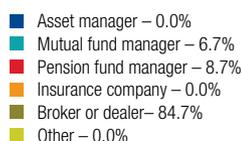
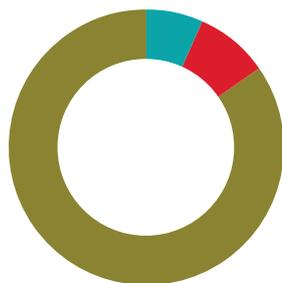
Serbia: Service area scores

Service area	2016	2015
Relationship management & client service	6.80	N/A
Value delivered	6.71	N/A
Settlement	6.68	N/A
Asset Servicing	6.67	N/A
Non-domestic assets	6.53	N/A
Reporting	6.62	N/A
Technology	6.57	N/A
Fund accounting & valuation	5.48	N/A
Trustee & fund administration	5.68	N/A
Reputation & commitment	6.62	N/A

Serbia: Respondent priorities ranking

Service area	2016	2015
Relationship management & client service	12.36	N/A
Value delivered	8.86	N/A
Settlement	12.50	N/A
Asset Servicing	10.29	N/A
Non-domestic assets	3.29	N/A
Reporting	4.57	N/A
Technology	2.36	N/A
Fund accounting & valuation	8.00	N/A
Trustee & fund administration	3.00	N/A
Reputation & commitment	6.57	N/A

Serbia: Type of respondent



Serbia: Size of respondent (AuM)



Societe Generale

Societe Generale operates securities servicing capabilities throughout the region covered by the survey. In most cases this is through banks that have been acquired by its parent company in the local markets. Their securities servicing capabilities have been extended and benefit from the global SGSS capabilities in both developed and developing countries.

The position of the bank is far from homogenous across different countries however, in terms of market share or responses received to the survey. In Serbia, SGSS accounts for less than 10% of responses. This compares with 66% in Croatia and 55% in Romania. In both these countries SGSS is the clear leader. In Bulgaria and Russia SGSS is strong, with around one-third of responses but not the largest provider in either case. In the Czech Republic it has 17% of a somewhat larger overall market and ranks, based on survey responses some way behind CSOB.

Leaving aside Serbia, where responses are too few to form a meaningful evaluation, the picture in terms of client mix is somewhat more consistent and is driven as much by local market conditions as by the position of SGSS itself. In all countries SGSS has a good range of asset manager, mutual fund manager and pension fund clients (except in Russia). In Bulgaria, Croatia and Czech Republic these are augmented by insurance company clients, though these are not represented in either Romania or Russia.

In terms of size of clients based on AuM the position of SGSS again parallels that of the markets in which it is operating. So in Bulgaria for example all its clients have less than \$100 million AuM while in the Czech Republic there is a high proportion of generally larger clients, and the very smallest account for less than 20% of the SGSS portfolio.

Client comments are consistent in praising the quality and effectiveness of staff and the bank also earned plaudits for “Fund and unit accounting” in Croatia and its “depth of market knowledge” and “being an expert provider to the regulator for aligning regulation with international standards” in Romania. Indeed the position of SGSS in Romania is probably strongest

in Romania based on the client comments received. This is borne out by the scores received in that market as well. Though lower than those recorded a year ago, the level of satisfaction remains exceptional in the context of the survey as a whole and Romania in particular.

Similarly Relationship management and client service is among the best scoring areas in every one of the five countries where scores have validity. As would be expected there were some negative comments concerning levels of fees and Value delivered. This is more noticeable in countries where SGSS is the clear market leader. However, for the most part the difference in scores in that category is no more than might be anticipated in each of the countries concerned. Like any major provider SGSS needs to balance the delivery of excellent services with ensuring that its fees are appropriate given the complexity or otherwise of services being provided. In these countries that is often quite fast moving as the markets themselves are evolving along with the infrastructure capabilities and regulatory environment. It would appear based on scores that SGSS has maintained that balance effectively and in ways that are clearly valued by its clients.

Across all the markets taken as a whole, SGSS appears to be very well positioned to benefit from future growth. ●

SocGen: Type of respondent

	Bulgaria	Croatia	Czech	Romania	Russia
Asset manager	18.1	10.0	18.7	8.3	16.3
Mutual fund manager	20.9	30.0	22.2	58.3	19.4
Pension fund	0.0	10.0	21.3	16.7	0.0
Insurance company	17.3	30.0	37.8	0.0	0.0
Broker or dealer	0.0	10.0	0.0	0.0	22.0
Other	43.7	10.0	0.0	16.7	42.3

SocGen: Size of respondent (AuM)

	Bulgaria	Croatia	Czech	Romania	Russia
Up to US\$ 100 million	100.0	43.5	16.4	20.8	16.7
US\$ 100 to 500 million	0.0	31.3	39.3	33.3	60.0
US\$ 500 to 1,000 million	0.0	0.0	21.3	36.1	0.0
US\$ 1,000 to 5,000 million	0.0	12.2	23.0	9.7	23.3
Over US\$ 5,000 million	0.0	13.0	0.0	0.0	0.0

SocGen: Service area scores

Service area	Bulgaria 2016	Bulgaria 2015	Croatia 2016	Croatia 2015	Czech Rep 2016	Czech Rep 2015	Romania 2016	Romania 2015	Russia 2016	Russia 2015
Relationship management & client service	6.71	6.81	6.60	6.50	6.40	6.38	6.83	6.95	6.20	N/A
Value delivered	6.34	6.42	5.98	5.88	5.88	5.27	6.65	6.84	5.55	N/A
Settlement	6.01	6.65	6.48	6.06	6.36	6.43	6.80	6.87	6.68	N/A
Asset Servicing	6.19	6.69	6.47	6.45	5.73	6.02	6.83	6.82	6.25	N/A
Non-domestic assets	6.29	6.81	6.33	5.75	6.60	6.14	6.83	6.90	6.40	N/A
Reporting	5.73	6.57	6.21	5.90	6.31	6.02	6.83	6.80	6.20	N/A
Technology	5.90	6.69	5.66	5.69	6.20	5.93	6.83	6.90	6.13	N/A
Fund accounting & valuation	6.50	7.00	6.47	6.28	N/A	6.68	6.82	6.78	N/A	N/A
Trustee & fund administration	6.50	6.55	6.38	6.55	6.50	6.40	N/A	6.97	N/A	N/A
Reputation & commitment	5.80	6.84	6.46	6.16	6.60	6.53	6.83	6.95	6.26	N/A

BCR

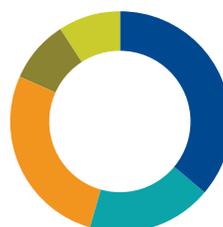
Banca Comerciala Romana S.A. (BCR) is a member of the Erste Group and provides services to both domestic clients in Romania and overseas brokers, CSDs and custodians using it as a subcustodian. The vast majority of its domestic clients are small but they cover a wide range of types of institution. As such scores are a reflection of a broadly based business in the local market. Of the respondents who highlighted specific strengths more than three-quarters mentioned reputation and asset safety as a key factor in their use of the bank. Other regularly mentioned areas included the quality of BCR personnel while one mutual fund manager specifically praised trustee services.

With a significant growth in responses this year, it is not surprising that BCR scores fell from the exceptional levels seen in the inaugural survey in 2015. Nonetheless scores are still very good and comparable to the country averages noted in the Survey Overview. Two clients expressed some concern about the level of fees and value delivered. This probably contributed to the decline of 0.25 points in scores for that category. This was also the area where relative scores for BCR were weakest. While being part of a larger regional group offers opportunities and better relationship possibilities, the growth of assets in the market will no doubt lead to more pressure on fees in the medium term. ●

BCR: Service area scores

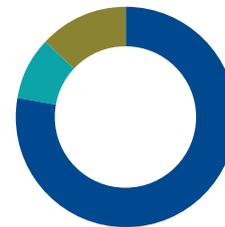
Service area	Romania	Romania
	2016	2015
Relationship management & client service	6.73	6.84
Value delivered	6.30	6.55
Settlement	6.58	6.63
Asset Servicing	6.82	6.92
Non-domestic assets	6.67	6.68
Reporting	6.69	6.61
Technology	6.44	6.71
Fund accounting & valuation	6.74	6.97
Trustee & fund administration	6.59	6.78
Reputation & commitment	6.70	7.00

BCR: Type of respondent



- Asset manager – 36.4%
- Mutual fund manager – 18.2%
- Pension fund manager – 0.0%
- Insurance company – 27.3%
- Broker or dealer – 9.1%
- Other – 9.1%

BCR: Size of respondent (AuM)



- Up to US\$ 100 million – 76.9%
- US\$ 100 to 500 million – 9.4%
- US\$ 500 to 1,000 million – 0.0%
- US\$ 1,000 to 5,000 million – 0.0%
- Over US\$ 5,000 million – 12.8%

CSOB

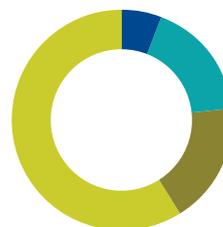
Ceskoslovenská obchodní banka, a.s (CSOB) is the major domestic custody provider in the Czech Republic based on responses received. It accounted for 58% of all responses received and 55% based on weighting of respondents based on size. Responses were from a wide range of different sizes of clients, similar to 2015. While CSOB did not receive responses from pension funds or insurance companies they did have both mutual fund and asset managers among their clients as well as some banks among the other types of client.

Despite the higher response numbers in 2016, CSOB managed to maintain overall scores. In half the categories scores were higher than in 2015 including Relationship Management & Client Service and the core operational areas of Settlement and Asset Servicing. Scores were also better than the average across all providers in the market in every one of the ten areas of service evaluation. Interestingly CSOB attracted positive comments concerning costs and fees charged, as well as providing, as one client noted “excellent custody services from a long term reliable partner.” Only Technology attracted any negative feedback and the CSOB score, although still strong, was marginally lower than a year ago. Although survey responses increased overall, they were lower in the Slovak Republic and in the case of CSOB, not enough were received for a credible set of scores to be produced. ●

CSOB: Service area scores

Service area	Czech Rep	Czech Rep
	2016	2015
Relationship management & client service	6.88	6.82
Value delivered	6.35	6.42
Settlement	6.72	6.65
Asset Servicing	6.66	6.47
Non-domestic assets	6.47	6.59
Reporting	6.59	6.55
Technology	6.51	6.55
Fund accounting & valuation	6.55	6.44
Trustee & fund administration	6.56	6.58
Reputation & commitment	6.85	7.00

CSOB: Type of respondent



- Asset manager – 5.9%
- Mutual fund manager – 17.6%
- Pension fund manager – 0.0%
- Insurance company – 0.0%
- Broker or dealer – 17.6%
- Other – 58.8%

CSOB: Size of respondent (AuM)



- Up to US\$ 100 million – 14.2%
- US\$ 100 to 500 million – 34.1%
- US\$ 500 to 1,000 million – 18.5%
- US\$ 1,000 to 5,000 million – 33.2%
- Over US\$ 5,000 million – 0.0%

Eurobank

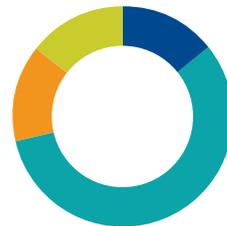
In 2015 Eurobank was evaluated based on responses in both Bulgaria and Romania. This year no responses were received in Romania, but Eurobank still attracted a healthy level of client input in Bulgaria. Overall it accounted for around 40% of responses both by number and weighted by size. As with the market as a whole, Eurobank clients in Bulgaria are all small in terms of AuM. Its clients include a good mix of asset and mutual fund managers as well as insurance companies.

In 2015 the relatively low response rate meant that scores were volatile between categories. This year, with a broader base of client responses, there is more consistency. It does make comparisons with last years results less meaningful. Most scores are better than in 2015 but the more important comparison is with the market average. Here Eurobank beat the average in four categories and was behind in six. As such its position is good but not distinctive. Absolute scores were at a high level for the most part, with four categories beating 6.0 (Very Good) including Fees and value delivered. Eurobank received general praise for the quality of its people and their responsiveness. This was summed up by one client who noted, "Eurobank personnel have excellent knowledge, and are highly competent, flexible and adaptable." This is clearly a strong basis from which to grow further. ●

Eurobank: Service area scores

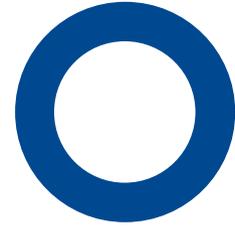
Service area	Bulgaria 2016	Bulgaria 2015
Relationship management & client service	5.86	7.00
Value delivered	6.18	6.00
Settlement	5.58	4.33
Asset Servicing	5.90	7.00
Non-domestic assets	6.14	6.00
Reporting	5.55	N/A
Technology	5.75	5.50
Fund accounting & valuation	6.00	5.33
Trustee & fund administration	6.27	6.33
Reputation & commitment	5.84	5.00

Eurobank: Type of respondent



- Asset manager – 14.3%
- Mutual fund manager – 57.1%
- Pension fund manager – 0.0%
- Insurance company – 14.3%
- Broker or dealer – 0.0%
- Other – 14.3%

Eurobank: Size of respondent (AuM)



- Up to US\$ 100 million – 100.0%
- US\$ 100 to 500 million – 0.0%
- US\$ 500 to 1,000 million – 0.0%
- US\$ 1,000 to 5,000 million – 0.0%
- Over US\$ 5,000 million – 0.0%

VTB Bank

The inaugural survey in 2015 did not cover Russia. While the political situation remains sensitive, market progress and interest is such that it has been included this year. Responses from domestic clients showed that VTB Bank (public joint-stock company) enjoys the largest share. It accounted for nearly 70% by number of responses and a marginally lower proportion based on weighted responses. Because 2016 is the first year, there are no comparative scores and also results are probably both better and possibly less consistent than in other countries.

In terms of type of respondent, VTB responses included a large number of corporate entities and relatively fewer financial institutions. They provide a wide range in terms of size, including some with very high levels of assets. For VTB the results were generally excellent, even allowing for the fact that this is the first survey of its kind. It outscored the market average in all eight categories where evaluations were made. No clients responded for either trustee or fund accounting services. Clients offered no suggestions for improvements that were required to services. By contrast almost all respondents highlighted various strengths. The ability to respond positively to requests for client specific reporting were one stand out positive as was the overall professionalism of staff. Taken as a whole VTB appears well placed to maintain its leadership in the market. ●

VTB Bank: Service area scores

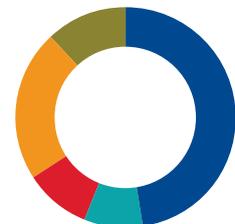
Service area	Russia 2016	Russia 2015
Relationship management & client service	6.82	N/A
Value delivered	6.82	N/A
Settlement	6.77	N/A
Asset Servicing	6.82	N/A
Non-domestic assets	6.82	N/A
Reporting	6.82	N/A
Technology	6.91	N/A
Fund accounting & valuation	N/A	N/A
Trustee & fund administration	N/A	N/A
Reputation & commitment	6.82	N/A

VTB: Type of respondent



- Asset manager – 9.1%
- Mutual fund manager – 9.1%
- Pension fund manager – 0.0%
- Insurance company – 0.0%
- Broker or dealer – 0.0%
- Other – 81.8%

VTB: Size of respondent (AuM)



- Up to US\$ 100 million – 47.6%
- US\$ 100 to 500 million – 8.7%
- US\$ 500 to 1,000 million – 9.5%
- US\$ 1,000 to 5,000 million – 22.2%
- Over US\$ 5,000 million – 11.9%

Vojvodjanska Bank

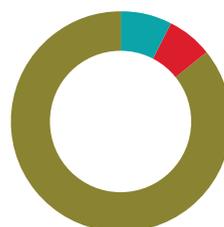
The CEE domestic survey in 2015 did not generate enough responses from Serbia to support meaningful coverage in the magazine. That situation changed this year, though the nature of responses remains anomalous in comparison with the other countries covered. Vojvodjanska Bank typifies that difference in business coverage. More than 85% of responses were from brokers operating in the market, with only a handful of responses from asset or mutual fund managers and institutional clients. This obviously places a different set of operational priorities and capabilities on service providers. The lack of scores in 2015 means that there is no way to assess trends in performance.

It is clear that clients are very satisfied with services and offer comments to support their enthusiasm. As one respondent commented, Vojvodjanska is a, “very efficient provider of custody services and maintains excellent relations with its clients.” Another praised, “excellent client service that facilitates handling even the most complex situations.” Scores are equally positive. In core categories of service Vojvodjanska scored better than 6.50 in eight areas and achieved a perfect 7.0 score on a couple of questions. Even allowing for a generous scoring pattern in the survey this is still exceptional. It is not clear whether the bank intends to seek to broaden its client base, but it seems to have the reputation to be able to do so. ●

Vojvodjanska: Service area scores

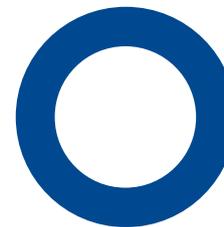
Service area	Serbia 2016	Serbia 2015
Relationship management & client service	6.79	N/A
Value delivered	6.76	N/A
Settlement	6.69	N/A
Asset Servicing	6.69	N/A
Non-domestic assets	6.64	N/A
Reporting	6.59	N/A
Technology	6.61	N/A
Fund accounting & valuation	5.48	N/A
Trustee & fund administration	5.29	N/A
Reputation & commitment	6.68	N/A

Vojvodjanska: Type of respondent



- Asset manager – 0.0%
- Mutual fund manager – 7.5%
- Pension fund manager – 6.9%
- Insurance company – 0.0%
- Broker or dealer – 85.6%
- Other – 0.0%

Vojvodjanska: Size of respondent (AuM)



- Up to US\$ 100 million – 0.0%
- US\$ 100 to 500 million – 0.0%
- US\$ 500 to 1,000 million – 0.0%
- US\$ 1,000 to 5,000 million – 0.0%
- Over US\$ 5,000 million – 0.0%

Ceska sporitelna, a.s.

Ceska sporitelna attracted too few responses to merit an assessment in 2015. While overall response numbers increased, Ceska performed strongly enough to merit inclusion this year. Looking at clients’ responses, Ceska were responsible for around 20% in terms of response numbers and marginally less when the weight of respondents is taken into account. Ceska obtained responses primarily from very small clients but to this were added a small number of much larger respondents. Even so, based on its own assessment of assets in custody, it remains one of the smaller market participants and clearly will need to find ways to differentiate its service provision. In terms of type of respondent, again the Ceska position was unusual with a higher proportion of non-fund manager clients.

One area highlighted as a possible concern by one client was Technology. Larger players, especially those with a global business have potential to spend more money. However a bank such as Ceska can stay much more focused. While scores for Technology were lower than in core operations and reporting, they were still very respectable. In terms of strengths, clients mentioned the, “knowledge and responsiveness of personnel” as well as the expertise in areas related to regulation. Taken as a whole Ceska appears to have a good, if small business on which to build. ●

Ceska: Service area scores

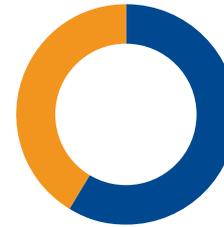
Service area	Czech Rep 2016	Czech Rep 2015
Relationship management & client service	6.33	N/A
Value delivered	5.23	N/A
Settlement	6.46	N/A
Asset Servicing	6.60	N/A
Non-domestic assets	6.60	N/A
Reporting	6.37	N/A
Technology	5.83	N/A
Fund accounting & valuation	5.43	N/A
Trustee & fund administration	5.86	N/A
Reputation & commitment	6.79	N/A

Ceska: Type of respondent



- Asset manager – 0.0%
- Mutual fund manager – 0.0%
- Pension fund manager – 18.4%
- Insurance company – 21.5%
- Broker or dealer – 0.0%
- Other – 60.1%

Ceska: Size of respondent (AuM)



- Up to US\$ 100 million – 58.8%
- US\$ 100 to 500 million – 0.0%
- US\$ 500 to 1,000 million – 0.0%
- US\$ 1,000 to 5,000 million – 41.2%
- Over US\$ 5,000 million – 0.0%

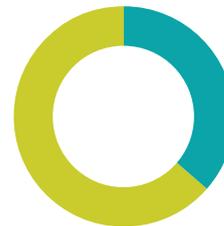
Privredna Banka

In 2015, Privredna banka Zagreb, a member of the Intesa Sanpaolo Group, did not receive enough responses to merit a formal rating. This year response numbers are generally higher. While Privredna is still the smaller of the two main providers receiving responses, they did account for roughly one-third of the total. Despite having a relatively small number of clients, Privredna enjoyed a reasonable range in terms of size. There was a concentration however by type, with responses being dominated by mutual fund managers, and others – predominantly banks.

With no scores available from 2015, the only meaningful comparison is with the overall results for the country. Here Privredna performed well. Scores on all categories were better than 6.0 (Very Good). Even allowing for limited response numbers this is impressive. Equally in the majority of areas Privredna scores above the country average. Interestingly the areas where they did less well were in Settlement and Asset servicing. Comments were highly positive especially concerning client service. One respondent praised the bank for, “great customer service and relationship management.” The only negative comment suggested that clients might like to see more investment in technology but even here the average score of 6.30 was impressive. In sum Privredna has made a strong debut in the survey this year. ●

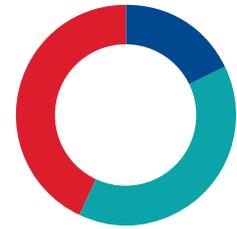
Privredna: Service area scores		
Service area	Croatia 2016	Croatia 2015
Relationship management & client service	6.60	N/A
Value delivered	6.48	N/A
Settlement	6.45	N/A
Asset Servicing	6.20	N/A
Non-domestic assets	6.40	N/A
Reporting	6.49	N/A
Technology	6.30	N/A
Fund accounting & valuation	6.57	N/A
Trustee & fund administration	6.82	N/A
Reputation & commitment	6.31	N/A

Privredna: Type of respondent



- Asset manager – 0.0%
- Mutual fund manager – 36.4%
- Pension fund manager – 0.0%
- Insurance company – 0.0%
- Broker or dealer – 0.0%
- Other – 63.6%

Privredna: Size of respondent



- Up to US\$ 100 million – 17.9%
- US\$ 100 to 500 million – 39.3%
- US\$ 500 to 1,000 million – 42.9%
- US\$ 1,000 to 5,000 million – 0.0%
- Over US\$ 5,000 million – 0.0%

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