

AGENT BANKS IN FRONTIER MARKETS



A rising tide lifts all boats

Client perception of securities service providers in frontier markets has improved across the board in Global Custodian's latest Agent Banks in Frontier Markets survey.

This year 39 countries received sufficient responses to the ABFM Survey for their providers to be included in the accompanying market write ups. Those where too few responses were received for robust analysis are nevertheless listed at the bottom of Table 2. This table shows the percentage of weighted responses received for each market. While the order of the list varies from year to year, Bulgaria, Romania and Croatia are usually to be found in the top three. Indeed, we anticipate that Romania will acquire Emerging Market status in the coming year. Taken as a whole, client perception of the service received

across the frontier market universe has improved this year. With all markets showing at least some increase in scores, ranging from 0.04 to 1.67 points on a 7-point scale (see Methodology for explanation). It is encouraging to see that markets such as Malawi, which was one of the weakest ranked markets last year, have recorded substantial rises in overall scores.

Nineteen frontier markets have achieved an average across all service areas of 5.00 or more, considered Good on the Global Custodian scale, compared with nine last year. Serbia, Cyprus, Vietnam and Romania now top the table.

Table 1

Market	Average Score	Average Score Previous Year	Difference
Serbia	5.73	5.61	0.12
Cyprus	5.70	5.50	0.20
Vietnam	5.64	5.28	0.36
Romania	5.54	5.28	0.26
Bulgaria	5.48	5.25	0.23
Kuwait	5.48	5.21	0.27
Lithuania	5.40	4.71	0.69
Sri Lanka	5.39	5.09	0.30
Jordan	5.37	5.28	0.09
Saudi Arabia	5.34	4.97	0.37
Slovenia	5.33	5.10	0.23
Bosnia & Herzegovina	5.32	5.13	0.19
Estonia	5.31	4.72	0.59
Croatia	5.30	4.97	0.33
Oman	5.28	4.71	0.57
Bahrain	5.21	4.80	0.41
Mauritius	5.16	4.77	0.39
Kenya	5.14	4.82	0.32
Latvia	5.07	4.50	0.57
Ukraine	4.98	4.48	0.50

Market	Average Score	Average Score Previous Year	Difference
Botswana	4.96	4.47	0.49
Bangladesh	4.92	4.88	0.04
Uganda	4.90	4.46	0.44
Colombia	4.89	4.56	0.33
Peru	4.88	4.64	0.24
Nigeria	4.86	4.48	0.38
Iceland	4.85	4.62	0.23
Ghana	4.81	4.71	0.10
Zimbabwe	4.80	4.44	0.36
Tanzania	4.78	4.13	0.65
Tunisia	4.77	4.66	0.11
Ivory Coast	4.75	4.37	0.38
Lebanon	4.72	4.55	0.17
Uruguay	4.67	3.00	1.67
Kazakhstan	4.66	4.08	0.58
Zambia	4.66	4.15	0.51
Namibia	4.39	3.84	0.55
Swaziland	4.33	4.00	0.33
Malawi	4.28	3.00	1.28
Bermuda	4.22	3.57	0.65

Table 2

Market	% of weighted responses	2017 ranking
Bulgaria	4.68	4
Romania	4.62	2
Croatia	4.41	1
Nigeria	3.85	7
Colombia	3.82	6
Serbia	3.79	8
Cyprus	3.55	5
Slovenia	3.31	10
Kenya	3.01	15
Vietnam	2.98	12
Mauritius	2.95	3
Peru	2.92	16
Jordan	2.86	20
Zambia	2.80	18
Bangladesh	2.77	26
Botswana	2.62	28
Tunisia	2.56	24
Bahrain	2.44	13
Kuwait	2.33	19
Uganda	2.33	32
Ghana	2.21	n/a
Oman	2.21	11
Sri Lanka	2.21	23
Estonia	2.15	9
Saudi Arabia	2.09	27
Latvia	2.03	21
Lithuania	2.03	22
Ivory Coast	1.91	33
Iceland	1.79	17
Tanzania	1.79	36
Ukraine	1.67	25
Zimbabwe	1.67	29
Kazakhstan	1.61	37
Namibia	1.61	30
Bosnia & Herzegovina	1.55	31
Bermuda	0.95	38
Malawi	0.89	37
Swaziland	0.89	40
Lebanon	0.66	39
Costa Rica	0.60	n/a
Venezuela	0.54	34
Georgia	0.30	n/a
Uruguay	0.30	35
Palestine	0.18	n/a

METHODOLOGY

This is the fourth year in which we are running our Frontier Markets Survey. Prior to that, the markets covered here were part of our Emerging Market Survey. This change was made with the goal of simplifying the Agent Bank Surveys for respondents, readers and providers. Given the generally lower volumes of activity in frontier markets, it also seemed unfair to ask participants to apply the same level of granularity in their analysis of service received, as they would in markets where they have more experience to go on.

Categorisation of countries between Frontier Markets and Emerging Markets was based largely on guidance from the MSCI and Standard & Poor's Market Indices. By and large, the two sources concur on the classification, but we might well see shifts between the two categories from year to year, depending on levels of activity.

We therefore pared down the questionnaire significantly to just six questions about core areas of service capability: Settlement, Asset Servicing and Safety, Relationship Management and Client Service, Technology, Ancillary Services, and Value Delivered. Respondents were then encouraged to leave detailed commentary at the end of the questionnaire to add a qualitative component to their assessment.

As in the Major Markets and Emerging Markets Surveys results cover only cross-border/non-affiliated respondents. Cross-Border is determined by the location of the client, not the assets. Therefore, a response from a domestic client who happens to have foreign investments will not be included in the survey. We have retained the seven-point scoring scale (7.00 being excellent; 6.00, very good; 5.00, good; 4.00, satisfactory; 3.00, weak; 2.00, very weak; and 1.00, unacceptable). Responses were weighted, as were questions, in a manner consistent with previous years. In common with our other Agent Bank Surveys there was no substitution of historic information into the scores where respondents had not included a score.

Once again readers will find scores for all major providers in each country presented in tabular form, covering each of six areas of service. In several markets, responses were recorded for a number of individual providers who did not, however, amass enough to be included in their own right. These results have nevertheless been added to the calculation of the average scores in each market.

Results are presented by service area and we have not published any overall score for individual providers. We recognise that providers will be tempted to create overall scores for themselves and draw conclusions about overall performance, relative and absolute, from the data that we have published. We regard such approaches as at best ill-advised but are realistic enough to recognise the natural human desire to create patterns and lists, and, therefore, expect such usage to continue.

For provider institutions who wish to receive a more considered analysis of the implications of the responses and comments that they have received, Global Custodian will again make available research reports that analyse individual provider results in an appropriate context. Digital accreditation of outperformance is also available. Please contact either Karen.delahoy@globalcustodian.com or Daljit.sokhi@globalcustodian.com for more details.

EUROPE



BOSNIA & HERZEGOVINA

Operating with two CSDs and two stock exchanges, the market in Bosnia and Herzegovina is by no means without its challenges, as we indicated last year. The Federation of Bosnia and Herzegovina and the Republic of Srpska each manage their own capital markets development and regulation. The Sarajevo Stock Exchange (SASE) is independently owned, the largest shareholder being Istanbul Stock Exchange with just under 10%.

In this year's survey, the market as a whole recorded an increase in scores across all six service areas of between 0.21 and 0.38 points on a seven-point scale. Relationship Management and Client Service is seen as a particular strong suit with a score of 5.65, well above the global average for that category.

UniCredit (Global Securities Services Bosnia and Herzegovina)

UniCredit claims a market share of international third-party business in Bosnia and Herzegovina of around 42%. From a scores point of view, Settlement and Asset Servicing were both rated higher by UniCredit's response base in this year's ABFM survey by 0.17 points each, taking these categories further into Good territory (5.00-5.99). By contrast, the result for Value Delivered fell back below 4.00, suggesting that clients see their fee levels outstripping the service received. Given that foreign activity levels in the market are thin, however, there is not much by which to judge.

Raiffeisen Bank International

All RBI's category scores in this market are this year comfortably in the Good range (5.00-5.99) with some, notably Relationship Management and Client Service and Ancillary Services creeping up towards Very Good (6.00-6.99). What client comments there are reflect well on the bank. "We are very satisfied with this provider," says one customer from the region. A Swiss bank notes that while there is little in the way of volume, "the few times we need them, they are available and helpful."



BULGARIA

The past year has seen continuing progress in Bulgaria in developing local market infrastructure and reforming tax and corporate governance regimes. In February this year, Bulgaria's Central Depository completed a joint project with the country's central bank to enable it to settle transactions in euro in TARGET2. The new functionality will allow the Central Depository to settle transactions with foreign depositories, providing support to SEE Link, a platform for trading securities listed on equity markets in Southeast Europe. Initiatives have also included the listing of government securities on the Bulgarian Stock Exchange as well as the implementation of DvP settlement for government securities.

The market as a whole has recorded scores solidly in the Good zone (5.00-5.99), up by between 0.23 and 0.38 points on last year's category level results.

Raiffeisen Bank International

With a limited response sample, Raiffeisen Bank has again achieved notable improvements in this year's ABFM survey results. All scores are within the Good range (5.00- 5.99) with the exception of Settlement which has registered a score of 6.00 (Very Good). Technology, having risen 46 basis points last year to an impressive 5.75, is up again to 5.83.

Citi

Citi Bulgaria's scores are off the heady heights of last year. Relationship Management and Client Service is back down in Good territory at 5.62 – a more than respectable score, but well down on last year's 6.30. Value delivered, often seen as a proxy for fee levels is also down to simply Satisfactory (4.00-4.99).

Eurobank Bulgaria (Postbank)

Eurobank's entry into the ABFM survey was accompanied by positive client comment and the provider continues to impress. This year, five out of the six service areas record results in the Very Good range (6.00-6.99) with Technology bubbling just under that level. Such results are well above both market and global averages and Eurobank should be proud of this year's results. Of particular note is its score for Value Delivered. At 6.43, this is

well above what would normally be expected, since clients are often reticent about signalling that they believe they are getting a very good deal in terms of fees.

UniCredit (Global Securities Services Bulgaria)

UniCredit estimates its share of international third-party business in Bulgaria at 40%. After declines last year, the bank's results are up again, with two-thirds of category results now registering as Good (5.00-5.99). The few client comments that accompany the quantitative scores are positive. "Great settlements system," says one European bank, while another notes that, despite low volumes, Unicredit provides "good overall service".



CROATIA

In late December 2017, the Croatian Financial Services Supervisory Agency (CFSSA) approved new Rules for the Zagreb Stock Exchange (ZSE), aligning them with MiFID II. Also in December, the Global Legal Entity Identifier Foundation (GLEIF) accredited the ZSE as a Local Operating Unit authorised to issue LEIs (Legal Entity Identifiers) to legal entities in 11 countries in the region. ZSE currently manages over 600 LEIs in nine countries.

Taken as a whole, the Croatian market has recorded very similar category results to the previous year with only Value Delivered scoring just below 5.00. All other results are solidly in the Good range (5.00-5.99). Three banks received sufficient responses for individual ratings this year: Privredna Bank, Splitska banka and UniCredit. Two responses were also received for Raiffeisen Bank International (RBI).

Privredna Bank Zagreb

PbZ again recorded a mixed set of results with another notable drop in Settlement offset by a clawback of similar size in Technology. Scores in other categories were similar to last year. "Limited activity in this market with good support provided when required," says one large UK client.

UniCredit (Global Securities Services Croatia)

UniCredit claims a market share of 35% of international third-party business in Croatia. Its results have fallen off slightly

since last year, but only one category – Value Delivered – records a score below 5.00. This service category is often regarded as a proxy for fee levels. At 4.84, the bank's score in the current survey suggests that clients feel there is room to revisit pricing of services. As client comments make clear, however, activity is thin on the ground and therefore all judgments are necessarily tentative. "No volume, but the few times we need them they are available and helpful," says one client, while another notes, "Low volumes, good overall service."

Splitska banka d.d.

"Splitska banka is very good at relationship management, service and safety issues. We have had a relationship for years and are planning to sustain our ties with this esteemed institution," says one client.

This is the first year that the bank appears under its own name, having until last year been part of the Societe Generale Group. It has been providing custody services in the Croatian market since 1998. The bank estimates its share of international third-party business in Croatia at around 34% with a monthly average settlement volume of 204 transactions (providing custody services since 1998). In May 2017, Splitska banka become part of the OTP Group.

Despite the upheaval that often accompanies changes in ownership and the challenges of integration, Splitska has had an excellent year in terms of survey results. All categories are up by between 0.49 and 1.12 points and are now all in the Very Good range (6.00-6.99).



CYPRUS

The Cypriot economy remains constant in its efforts to recover from the 2013 financial crash. A report in March from ratings agency Moody's pointed to strong economic growth as credit positive for Cypriot banks. Official statistics show the strongest annual GDP growth rate in a decade. The Cyprus Stock Exchange (CSE) continues to set its sights on becoming the region's specialist securities exchange and an entry point to the EU capital market for small cap and non-European issuers. It is also working at becoming a key European centre for fund distribution and administration.

In 2017, significant effort went into ensuring compliance with European directives, such as MiFID II, CSDR and UCITS IV.

Under an earlier memorandum of understanding, ATHEXClear will act as the CCP for the market as required by EMIR.

In terms of overall service provision, Cyprus is among the stronger markets in the survey with aggregate service area scores well above the global average by between 0.42 and 0.70 points. Three banks – Citi, Eurobank and BNP Paribas – received sufficient responses in this year’s survey to warrant individual write-ups.

Citi

Citi’s scores in Cyprus have again been subject to decline in several areas, though the drop is much smaller in most areas than in last year’s survey. In one category, Asset Servicing, the bank actually registered an improved score. By contrast, Relationship Management and Client Service and Ancillary Services were down by 0.48 and 0.65 points respectively. The latter is now rated as simply Satisfactory (4.00-4.99) along with Technology and Value Delivered. Quite why appreciation continues to soften among Citi’s response base is not clear as no clients have provided additional comment.

BNP Paribas Securities Services Athens

BNP Paribas handles approximately 60 transactions per month for international third-party clients, including global custodians, broker dealers and other investment banks and custodians.

In the absence of official market share statistics BNP Paribas claims to be the largest custodian in the Cypriot market based on the size and nature of its international client base. Its results are fairly similar to last year’s, with a wider than average spread of service area scores, ranging from a somewhat disappointing 4.94 for Value Delivered to a very impressive 6.28 for Relationship Management and Client Service.

Eurobank

Eurobank is the only General Clearing Member in the Cyprus Stock Exchange. Its client base is spread across all client types with broker dealers comprising the largest minority, it accounts for some 54% of survey responses for Cyprus, but this reduces to 42% once weighting is applied, suggesting a response sample made up for the most part of smaller participants. Nevertheless, its results are highly impressive with all category scores in Very Good territory (6.00-6.99) a rarity in the ABFM survey as a whole.



ICELAND

Iceland continues its recovery from the devastating impact of the financial crisis of 2008. The capital controls that had been in place since that time were largely lifted in March 2017. Volumes remain relatively low, however, as there are reserve requirements connected to foreign investment in fixed income. According to one local provider, a combination of these capital controls, laws on offshore ISK, legislation on reserve requirements and other legislation has made the market rather complicated. “Clients have needed much handholding and assistance in understanding the nuances,” the provider added. Settlement of trades for foreign clients is also still not DVP in the Icelandic market and matching is manual, though the CSD is implementing changes in its system, which will allow for automatic matching and true DVP.

Íslandsbanki hf

Íslandsbanki claims some 30-35% of inbound third-party custody business in Iceland. Although scores have slipped this year in Asset Servicing, Relationship and Client Service and Ancillary Services, they have risen in Settlement, Technology and Value Delivered. Other than Technology and Ancillary Services, which are rated Satisfactory, other service area scores are in the Good range (5.00-5.99). One European client notes very low volume of transactions, but a number of “market specificities” to be taken into account each time, adding that “the Íslandsbanki team is always helpful.”

Landsbankinn

“Landsbankinn has had to deal with a large increase in trading volumes with the liberalisation strategy from the central bank but has not increased staffing to cope with the additional demands,” comments one global custodian. “Timeliness of responses as well as a lack of willingness to work together with clients on mutually beneficial solutions remains an issue.”

This view would appear to be reflective of the general view among the banks survey participant sample. All service area



scores are down by between 0.18 and 0.80 points, the latter for Relationship Management and Client Service. Having shown significant improvement last year, the bank will be looking to reverse the latest downward turn.



ROMANIA

Romania is likely appearing in the ABFM survey for the last time before promotion to Emerging Market status. The market is on the watch list for an upgrade from frontier to emerging market status by FTSE and MSCI. An increase in liquidity in the market is the remaining criteria to be tackled. While such promotion depends largely on the ratings agencies and is not a foregone conclusion we feel it would be a fair result for a market that is well structured to cope with an increase in volumes that would flow in, should such a decision be reached. In the past year, it's central securities depository (CSD) has brought corporate actions processes into line with European best practice. The CSD was also an early adopter of T2S although volumes remain marginal for the moment.

Although this year's service category results for the market as a whole reflect a slight decline, scores still remain well above the global average and solidly in the Good range (5.00-5.99).

Citi

The few client comments for Citi in Romania are positive. "Efficient and always ready to support," says one. "Good overall service and very good relationship management," notes one very large European client. "A strong provider," says another.

Citi's category scores are rather similar to last year's with a wide spread from a lacklustre 4.73 for Value Delivered to a more impressive 5.90 for Relationship Management and Client Service. All scores apart from the former are, however, in Good range (5.00-5.99)

Raiffeisen Bank International

With a very small responder base last year, no firm conclusions could be drawn about RBI's service. With a larger sample this year, scores are solidly in Good range (5.00-5.99) from a low of

5.00 for Technology to a high of 5.83 for Relationship Management and Client Service.

BRD Groupe Société Générale

One small European client is evidently happy with the service it receives from Societe Generale's Romanian arm. "Excellent provider overall; business-oriented professionals that are always there when you need them" they comment. "Excellent team and excellent know-how of the local market infrastructure," adds a peer of similar profile.

The bank settles an average of 1500 trades per month for a client base dominated by custodians and asset managers, claiming 45% market share of international inbound business and is the largest local custodian. It is the only custodian represented on the BSE board.

In the past year, BRD has implemented an on-line web tool for clients, SGSS Gallery, allowing clients to consult the status of their trades and receive a tailored valuation of their assets.

Results are up sharply across the board for this provider, which now has the rare distinction in the ABMM universe of having all category scores in Very Good range (6.00-6.99). Of particular note is the score for Technology, up 0.73 points to 6.50, suggesting a positive reaction to the introduction of the Gallery tool.

UniCredit (Global Securities Services Romania)

UniCredit claims a 15% market share of international third-party business in the Romanian market. A mixed set of results are recorded for the bank this year. Relationship Management and Client Service and Value Delivered are both up, by 28 and 35 basis points respectively. Three categories – Settlement, Asset Safety and Relationship Management and Client Service – are now rated Good, while Technology, Ancillary Services and Value Delivered are in Satisfactory range (4.00-4.99). No additional client comment is available to add colour to these scores.



SERBIA

Corporate securities and government bonds are traded on the Belgrade Stock Exchange (BSE). Of 630 companies listed on the exchange, shares of fewer than 50 companies are traded regular-

ly (more than once a week). Established in 1995, the Securities Commission regulates the Serbian securities market. The Commission also supervises investment funds in accordance with the Investment Funds Law.

Serbia welcomes both domestic and foreign portfolio investments and, according to one provider, regulates them efficiently. However, there are restrictions on short-term portfolio investments – residents of Serbia are not allowed to purchase foreign short-term securities, and foreigners are not allowed to purchase short-term securities in Serbia. Payments related to long-term securities face no restriction. Regulations and company-related as well as stock exchange information are not readily available in English and trading costs are high due to a limited level of competition among brokers.

Despite these drawbacks the market as a whole provides a relatively high level of post-trade service, which has also registered improvements in score over the past two years. Compared to a global average of 5.14 across all service areas, Serbia this year registers an equivalent of 5.73, up from 5.50 last year. Relationship Management and Client Service for Serbian providers has now moved into Very Good range (6.00-6.99).

Raiffeisen Bank International

The overall score for RBI in Serbia has risen, with the bank having recovered the ground it lost last year in its rating for Settlement. All category scores are in Good range from 5.70 for Settlement down to 5.00 for Ancillary Services. Client comment suggests little actual activity over the past year.

UniCredit (Global Securities Services Serbia)

UniCredit claims by far the largest share of inbound third-party custody in Serbia. Scores have risen substantially, ensuring that all service categories are now seen as solidly in Good range (5.00-5.99). Of particular note is an increase on 1.12 points on a seven point scale for Asset Servicing to 5.16.

Vojvodjanska Bank

With 15% market share of foreign custody clients, Vojvodjanska Bank is the sole indigenous provider in Belgrade. In December 2017, the bank became a member of OTP group Hungary, one of the largest financial groups in the Central and Eastern Europe. Vojvodjanska has once again recorded a stellar set of category scores with Settlement, Relationship Management and Client Service and Ancillary Services all registering the highest possible score. “We are very satisfied with this bank, from excellent client relations to settlement processing, asset servicing and customization to fit our needs,” says one regional client.

Societe Generale Securities Services

With an average volume of 160 transactions per month, SGSS estimates its market share of international third-party business in Serbia at around 5%. The bank did not, however, receive sufficient responses this year for an individual evaluation.



SLOVENIA

Liquidity on Ljubljana Stock Exchange is low with only five to 10 liquid securities. Scores for the market as a whole have held steady overall, remaining in the middle of the Good range (5.00-5.99). Considering the size of the market, there is ample choice in sub-custody providers. In addition to the banks below, responses were received for Societe Generale, but not sufficient for an individual write up.

Raiffeisen Bank International

Trades are rare in this market. All category scores are within the Good range, though higher up the scale than last year, with increases of 0.67 points in Asset Servicing, Relationship Management and Client Service, Technology and Value Delivered.

SKB d.d.

Although there are too few responses recorded to make any definitive judgments, it seems that SKB’s services are particularly appreciated in the areas of Settlement and Relationship Management and Client Service, both of which score in the Very Good range (6.00-6.99).

UniCredit (Global Securities Services Slovenia)

Claiming a 43% market share of inbound custody business in Slovenia, UniCredit accounts for the bulk of survey responses in this market. Despite low levels of activity, the bank is seen by one large client as “helpful when required.” All service categories are within Good range (5.00-5.99). A score of 5.00 for Value Delivered, up from 4.78, suggests that clients are more comfortable with pricing levels for services than they were last year.



UKRAINE

With Ukraine largely appearing in news headlines for reasons unrelated to economic progress, engagement in Ukrainian equity markets by foreign institutional investors is limited. With little movement in category scores over the year, the market average has nevertheless been dragged down to Satisfactory territory by a fall of 0.30 points for Asset Servicing and Safety – no doubt a challenging area in which to give comfort to foreign investors in the current geopolitical climate.

Citi

Citi is one of two major players in this market. Its scores at a category level are spread between 4.26 for Value Delivered at the low end to a top score of 5.38 for Ancillary Services, leaving ample room for improvement in next year's survey. With the exception of Ancillary Services, all categories have recorded declines. The low for Value Delivered can partially be explained by an expressed concern on the part of at least one survey participant of "high minimum fees."

Raiffeisen Bank International

RBI's results last year were well down on the previous year, leaving all categories bar Relationship Management and Client Service languishing in mid-Satisfactory range (4.00-4.99). The bank will be pleased that in the present survey this decline has been reversed in most areas apart from Asset Servicing. After increases of 0.74 and 0.84 points respectively, both Settlement and Value Delivered are once again rated as Good (5.00-5.99).

THE BALTIC STATES



ESTONIA

Estonia has a global reputation for pioneering distributed ledger implementations, but in the mainstream securities markets, it remains relatively inactive owing to its size. With all scores bar Value Delivered, in the Good range (5.00-5.99), the market is regarded as offering an efficient service, but is also seen as relatively expensive. While responses were also received for Nordea, RBI and Swedbank, only SEB received sufficient in Estonia for a write up.

SEB

As the dominant rated provider in this year's Estonia survey, SEB has recorded scores in line with the market as a whole – category scores are in the mid-fives, apart from Value Delivered. While scores for Settlement and Asset Safety have increased, significant drops have been recorded for Relationship Management and Client Service (-0.69 points) and Value Delivered (-0.36 points). No client comments are provided to add colour to these ratings.



LATVIA

The Riga Stock Exchange is operated by NASDAQ OMX as part of a regional Baltic market alongside exchanges in Vilnius and Tallinn. While the banking sector in Latvia has been attracting media attention for the wrong reasons of late, this does not seem to apply to the securities markets, where service provision is dominated by institutions active across the Nordic region.

After a year of improved results, scores for the market as a whole have fallen slightly, most notably in the area of Value Delivered, down 0.33 points to a disappointing 4.50.

SEB

“Very low volume,” says one SEB client of their activity in the Latvian market. “Nevertheless, the Relationship Management team is always available and helpful whenever needed.” In this year’s survey, Relationship Management and Client Service is SEB’s highest scoring service area at 5.46, above the global average for the survey as a whole. Two categories, however, are rated only Satisfactory (4.00-4.99). These are Ancillary Services (4.90) and, more worryingly, Value Delivered (4.50). A review of fee levels may help with the latter.

SWEDBANK

With a smaller response sample than its rival, Swedbank has recorded a peculiar mixture of scores. While Technology is up 100 basis points to 6.00, Settlement and Relationship Management and Client Service are both down to 5.00 from 5.31 and 5.33 respectively.



LITHUANIA

Judging by its results in this year’s survey, Lithuania is regarded as an efficiently serviced market, if relatively expensive. Category scores are above the global average in all areas with the exception of Value Delivered. Year-on-year, scores have improved in four of the six categories, most notably in Settlement, up 0.59 points to an impressive 5.83. As one survey participant notes, “More listings for investors would make the market more attractive and increase trading volumes.”

SEB

The only bank to qualify for a write up in Lithuania this year, SEB is described by one global custodian as, “a dependable sub-custodian in this stable market.” All category scores are in Good range (5.00-5.99) with the exception of Value Delivered. While Settlement has risen to an impressive 5.83 from last year’s 5.44, Relationship Management and Client Service, though still above average at 5.72, has recorded a drop of 0.33 points.



MIDDLE EAST



BAHRAIN

Bahrain Bourse (BHB) was launched in 2010 as a shareholding company to replace Bahrain Stock Exchange which was established in 1987. In 1999, BHB implemented an automated trading system to carry out all the Bourse's transactions electronically. In 2002, the legislative and regulatory authority and supervision of BHB was transferred from the Ministry of Commerce to the Central Bank of Bahrain. Starting with equities, BHB now covers preferred shares, bonds, sukuk, and mutual funds.

All investors are required to open a securities account with any licensed participant through the CSD before conducting any business on the Bourse. While several banks are listed as custodians with the Bourse, sufficient client responses for analysis, were received only for HSBC.

HSBC

HSBC has long been the dominant provider in this market and despite a set of scores largely at the lower end of the Good range, there appears to be frustration among some survey respondents that competition is not exerting greater service pressure on the bank. "The client service team doesn't always reply to email queries and it can be very difficult to contact the team by telephone," says one UK bank. Another comments that, "Relationship management is the weak point, where local knowledge is the strong point of HSBC Bahrain".

Standard Chartered Bank

While only two responses were received for Standard Chartered Bank in Bahrain, it claims to be the first custodian to prepare an asset transition guide for the market and successfully complete

the first custodian transition. It is also the sole settlement bank for the Bahrain Financial Exchange.

Deutsche Bank

Deutsche Bank is also present in the market, but insufficient data has been received to assess its performance.



JORDAN

In 2017, the Jordanian market continued with the roll out of its three-year strategic plan to modernise the securities market. In February, the Amman Stock Exchange (ASE) was registered by the Companies Control Department as a public shareholding company, 100% owned by the government. Its registered capital is 4.77 million Dinars (US\$6.8 million).

In an operational change, the Central Bank of Jordan (CBJ) extended the payment systems opening hours by an extra hour starting 1 May 2017. This step is designed to facilitate cash and liquidity management.

A new securities law was approved and became effective as of 16 May 2017 aiming to bring the market into line with developments in the global markets, notably in the area of investor protection.

The Jordan Securities Commission (JSC) meanwhile announced preparatory steps for the application of an electronic disclosure system using XBRL. It is expected to complete the implementation of this project during 2018.

Sub-custody is dominated by two banks: Bank of Jordan and Standard Chartered. In terms of aggregate performance, securities service providers in Jordan track fairly close to the global average.

Bank of Jordan

With an international client base comprised primarily of global custodians, Bank of Jordan claims around a 50% market share of inbound custody business. The bank also receives one of the more enigmatic, if positive, client comments in the survey: "Excellent story continues even if a key member left Bank of Jordan." While all scores are in Good range (5.00-5.99), they do reflect a falling off at category level, notably for Settlement, down 0.64 points to 5.30, and Technology, down 0.63 points.

Standard Chartered Bank

Standard Chartered claims to be the largest custodian in Jordan, actively participating in several key industry bodies. Its operating model handles volume fluctuations by combining local

operations, regional teams and shared service centres. Judging by client comments, this approach seems to be popular. “Good client service; transition to new settlement model very good,” says one. “Very proactive especially when it comes to late Settlements etc. ... Perfect!” says another. Scores have increased across five out of six service categories and now all fall within Good range, the highest being for Settlement (5.64) and the lowest for Value Delivered (5.13).



KUWAIT

Established in 1983, regulatory responsibility for the Kuwait Stock Exchange (KSE), now known as Boursa Kuwait, was transferred to the Capital Markets Authority in 2010. The name change reflects a move of the Bourse into the private sector in preparation for an eventual IPO, now expected in the first quarter of 2019.

In September 2017, Kuwait was subject to a classification upgrade from Frontier Market to Secondary Emerging Market by FTSE Russell and is expected to see an increase in volumes as a result.

HSBC

HSBC, the only custodian to record responses for Kuwait, received specific plaudits from two providers. One very large European bank highlights “excellent relationship manager”, while another stresses that HSBC is “always prompt and accurate when replying.” Its results are generally above the global average and have risen year-on-year in all service areas bar Technology.



OMAN

Muscat Securities Market has introduced successive reforms to ensure efficiency, but has been hampered by a lack of free float on its exchange. The situation is improving, however, with three initial public offering (IPO) deals during the fourth quarter of 2017, raising a combined total of \$81.9 million.

HSBC

HSBC’s dominance of the sub-custody market in Oman seems set to continue with a roster of large clients. Category scores this year are mixed, though solidly in Good range apart from Value delivered, which, at 4.71, suggests that clients might see services as relatively highly priced for what they receive.

Standard Chartered Bank

Although not represented in this year’s response sample for Oman, Standard Chartered has one a very large mandate in Oman which it estimates represents over 25% of market share. The bank is also active in liaising with market authorities, such as the Capital Market Authority of Oman (CMA) and market infrastructure entities to introduce international best practices in the country.





PALESTINE

Last year, we noted that while no survey responses had been received for Palestine, it was nevertheless a market to watch. The same still largely holds true, though one response was recorded in this year's survey.

The local market index includes 15 listed companies out of 48, includes companies from the sectors of banking, insurance, investment, services and industry.

Palestine Exchange (PEX) has launched an English version of its in-house disclosure system "IFSAH" to make the listed companies financial performance available to foreign investors. Highly automated, the Palestine Exchange successfully completed its first E-IPO using a system newly developed in-house



SAUDI ARABIA

The opening of the Saudi market (Tadawul) to foreign investors has been the main story of the past three years. The Saudi oil giant Aramco is set to list on the exchange in 2019. Given its size, the firm will be a test of the market's ability to sub-custody is dominated by HSBC. Though other options exist, none attracted sufficient responses for inclusion in this year's survey.

HSBC

One very large US bank had this to say about the service received from HSBC in the Saudi market: "HSBC has been engaged and responsive to the market changes that have taken place over the last year. HSBC is very knowledgeable and works well with the market entities to lobby on behalf of QFI clients as the market continues to evolve and open to foreign investors. The relationship team is readily available to discuss issues and provide feedback." All HSBC service area scores are in Good range (5.00-5.99) apart from Value Delivered, which is rated simply Satisfactory.

AFRICA



BOTSWANA

The Botswana market is fairly small and has grappled with low liquidity with capital chasing a small selection of investable assets, available on the Botswana Stock Exchange (BSE). The market is predominantly in the hands of local pension funds and institutions that are typically long term focused.

In order to mitigate liquidity constraints, the BSE formulated a 5-year strategic plan to provide a gateway for raising capital and accessing diverse investment opportunities.

In 2017, the BSE, Bank of Botswana (BoB), Ministry of Finance and Economic Development (MFED) and Non-Bank Financial Institutions Regulatory Authority (NBFIRA) continued to progress a project to centralise trading, clearing and settlement of debt instruments at the BSE and Central Securities Depository of Botswana (CSDB). The project is expected to be completed in Q2 of 2018.

The CSDB is considering setting up an e-voting facility for company meetings. It is looking to upgrade the current CSD system and it is expected that the new system to be procured will have the e-voting module. The new system is expected in Q2, 2018.

The BSE, is meanwhile still in the process of drafting rules for securities lending and borrowing (SLB) following the provisional go-ahead by the NBFIRA.

In addition, the central bank has granted an approval to link the CSD to the Botswana Interbank Settlement System (BISS) for the purpose of settlement of CSDB transactions in central bank money. The project was envisaged to be completed in November 2017 but has been delayed as the CSDB is currently upgrading their system to meet project specification requirements.

Stanbic Bank Botswana

Stanbic settles a monthly average of 431 transactions for its foreign custody clients in Botswana and estimates its share of the market in terms of assets under custody to be 23%. It is the longest serving custodian bank in Botswana with more than 20 years’ experience.

Stanbic Bank Botswana is a part of the Standard Bank Group, the largest bank by assets and the largest custodian in Africa by assets under management, with approximately ZAR7.3 trillion (USD590 billion*) assets under custody. The group offers investor services across 15 markets in sub-Saharan Africa.

The bank’s scores have fallen by between 0.13 and 0.50 points at a category level (with the exception of Asset Servicing, which is up 0.25 points). They nevertheless remain exceptionally high by the standards of the ABFM survey with five out of six categories scoring 6.00 (Very Good).

Standard Chartered Bank

Standard Chartered has this year received just over half of the total responses recorded for Botswana. Its scores have continued to improve in most service areas though only Settlement and Asset Servicing are rated above Satisfactory levels. One large global custodian comments that, “SCB has improved the consistency of its service levels and they have a good understanding of the market. SCB continues to display challenges in regard to response timeliness.” One large UK bank says SCB “provides a good service relative to the volume of activity for the market.”



GHANA

No regulatory developments were implemented in Ghana’s securities markets in 2017. However, significant progress was made in the testing of a number of existing initiatives expected to go live in 2018.

The CSD is planning to provide an online interface to enable brokers to place bids electronically for equity IPOs. This is ex-

pected to lead to the standardisation of the bidding process for equity IPOs and enhanced transparency.

A web-based portal granting clients real-time access to securities account balances at the CSD will also bring enhanced transparency and access to investor information.

An online interface which enables investors to vote electronically on AGM resolutions will allow for a standardised and enhanced AGM voting process.

The CSD has meanwhile started an initiative to deploy SWIFT as a method of communication within the Ghana securities market. The project is at the scoping stage with a securities market practice group.

Client perceptions of services in Ghana’s securities market continue to improve slowly. All categories apart from Technology record increased scores, ratings remain in the “Satisfactory” range except for Relationship Management and Client Service, up to Good, at 5.03.

Stanbic Bank Ghana

Stanbic Bank Ghana, part of the Standard Bank Group, estimates its market share of assets under custody in Ghana to be 38%. “They are very responsive,” says one client. Scores are well above the global average for Settlement and Relationship and Management and Client Service, but there has been an alarming fall in the results for Technology, down 2.33 to a Weak 3.00. This suggests an implementation issue, but without further client comment is hard to pin down definitively.

Standard Chartered Bank

SCB claims the largest market share of foreign custody clients in Ghana. It is supported by its Straight2Bank (online banking portal) offering, though Technology scores have actually fallen year-on-year and remain only in Satisfactory range as do all categories with the exception of Relationship Management and Client Service (5.00, up 0.40 points). “2017 saw an improvement in client service delivery, good local relationship management and operational support,” says one large European client.



IVORY COAST

The Bourse Régionale des Valeurs Mobilières (BRVM), based in Ivory Coast, is unusual in acting as a regional exchange for the countries of the West African Economic and Monetary Union Benin, Burkina-Faso, Ivory Coast, Guinea-Bissau, Mali, Niger,

Senegal and Togo.

Although marginally up overall, scores for the Ivory Coast are below the frontier markets average by between 0.23 and 0.71 points. They have nevertheless improved over the year apart from the areas of Ancillary Services and Value Delivered. All categories score in the upper fours with the exception of these two areas.

Societe Generale Securities Services

SGSS has recorded increases in scores in two service areas: Ancillary Services and Value Delivered. Other scores have held steady. All the bank's results are in Good range apart from Ancillary Services. According to one European global custodian, there has been a "very favourable evolution of service quality over the last few years. Relationship Management delivers a high-level service."

Standard Chartered Bank

Standard Chartered claims more than 60% share of the WAEMU market. Scores are largely similar to last year. Relationship Management and Client Service is up to Good level. Offset by a Weak score for Value Delivered (3.67), suggesting that clients regard fees as high for the service they receive. While one client comments that, "SCB's Africa servicing hub provides reasonable support relative to the volume of activity for the markets they support", another notes specifically that, "SCB stabilised operations and provided consistent service throughout the year."



KENYA

The Nairobi Stock Exchange is one of the longest established in sub-Saharan Africa. It is publicly traded and was the second self-listed exchange in Africa.

There were two developments in the market in 2017. The Capital Markets Authority (CMA) launched international certification standards for participants in the capital markets industry at the beginning of the year; and a cross-listing of an ETF originally listed in South Africa.

There has also been progress on the upgrade of the CSDs in Kenya and the creation of the NSE Futures Exchange. User acceptance testing for Phase 1 of the CSD upgrade was undertaken. Areas of failure will be retested, user training was conducted by

both the system vendor and the CDSC in Q1 and Q2 2017.

The system is expected to be implemented by Q3 2018 with integration to SWIFT targeted towards end of 2018.

The Central Bank of Kenya (CBK) CSD has meanwhile rolled out a new system to enable participants to access government securities through online / internet banking.

The NSE is set to open a futures exchange for the trading of currency, market indices and interest rate contracts in 2018.

Stanbic Bank Kenya

Stanbic claims a monthly average of 1,278 transactions in Kenya for foreign clients. Judging by scores awarded in this year's survey, the local entity of Standard Bank has raised its service levels in all categories, in particular Relationship Management and Client Service, which is up 1.29 points to a very impressive 6.11. Other category scores are all now in Good range, compared to last year when all were considered merely Satisfactory.

Standard Chartered Bank

Standard Chartered claims a 60% share of inbound custody business in Kenya. The bank garners positive comment from survey participants. "Strong local relationship and operational support, with pro-active approach taken in supporting client needs," says one. Another suggests that, "the only issue we had is that when we log a query we have to follow up for feedback. We also have to follow up with them continuously to send us their invoices," the latter is probably the only example ever in the survey of a client complaining that they are not being billed fast enough! With scores having risen by between 0.02 points and 0.42 points, SCB now records three categories – Settlement, Asset Servicing and Relationship Management and Client Service – in Good territory with the remainder ranked as Satisfactory.



MALAWI

Malawi is a small market in terms of foreign investor activity. The market is predominantly in the hands of local pension funds and institutions that are typically focused on the long-term. There are 13 listed companies on the Malawi Stock Exchange (MSE), two of which are foreign listed companies. There are few listed government bonds. As a result, there is very low liquidity. To mitigate liquidity constraints, the MSE has begun courting new companies to raise capital through the exchange.



The MSE plans to automate its trading system for listed equities. It currently uses a semi-manual call over system for trading. The MSE board is also planning to implement a CSD for listed equities and corporate bonds, but will first introduce its new Automated Trading System (ATS), a vendor for which has been identified. The ATS is scheduled to be live by end of Q1 2018 and the CSD the following quarter.

Standard Bank

Standard Bank has a 60% market share of inbound foreign business. While its client base is largely domestic and activity is slight, one client notes that, “Standard Bank is engaged with the market and with its clients despite lower volumes of trading in the market.” The bank’s results this year are largely up on previous scores, which range from a weak 3.00 for Value Delivered to 5.00 (Good) for Asset Servicing.



MAURITIUS

Although a relatively small market, Mauritius punches above its weight. It is a provider of infrastructure to several other frontier markets and has long been viewed as the offshore centre of choice for Indian investment. In addition, it is a regional hub for at least one securities services provider.

HSBC

HSBC’s presence as an agent bank here is no doubt tied to the close ties between India and Mauritius as both a market and a financial centre. Results are up by between 0.22 points and 0.40 points in five service categories with Value Delivered holding steady. Apart from this last category, where assessments are Satisfactory, all other categories are in Good range (5.00-5.99). According to one respondent, “HSBC performs adequate services in the market and typically responds to all inquiries in a timely

manner. Additionally, HSBC has a sound understanding of the local market and maintains decent relationships with the local market entities.” Another says that HSBC provides “strong local relationship and operational support, with pro-active approach taken in supporting client needs.”

Standard Chartered Bank

SCB’s Mauritius office is one the bank’s four international custody hubs, providing access and support to multiple markets across Asia, Africa and Middle East. The bank has seen scores falling in all areas, though three – Settlement, Asset Servicing, and Relationship Management and Client Service remain above 5.00 (Good).

Client comments offer contrasting views of service received in this market. “Customer service can sometimes be an issue and having emails answered in a timely manner;” says one, while another notes, “The experience we had was that they are not flexible in assisting us with suggestions we make.” On the other hand, one large foreign bank states that, “SCB (Mauritius) has simply been excellent this year. I wish it offered prime brokerage services as well.”



NAMIBIA

The Namibian market is small and many of its key stocks are dual-listed on the Johannesburg Stock Exchange (JSE). Settlement of trades in these shares takes place in STRATE, the South African CSD. However, the development of a CSD in Namibia continued in 2017, with the tabling of an enabling Bill in parliament awaited.

Standard Bank Namibia

As the only rated provider in Namibia, Standard Bank has seen its results fall across all service categories though activity levels are thin and conclusions therefore necessarily tentative. Most categories remain Satisfactory, but Relationship Management and Client Service and Value Delivered are rated Weak. “Standard Bank Namibia frequently fails to respond to enquiries in a timely manner. The requirements of local clients (who hold the majority of their AUC) appear to take priority over foreign clients,” says one very large US bank.



NIGERIA

Activity in the Nigerian market has been affected by the drop in oil prices, which drives the bulk of the revenue of the Nigerian government. The market nevertheless continues to implement infrastructural and regulatory reforms to bring it into line with international practices. A new Central Securities Depository (CSD) platform has been introduced from TCS BaNCS to improve efficiency in depository, clearing and settlement services. SWIFT messages are now being tested with market participants as a method of communication within the securities market.

Scores for the market as a whole are similar to last year, with Settlement and Relationship Management and Client Service rated as Good and all other service areas as Satisfactory.

Stanbic IBTC Bank

Stanbic, part of the Standard Bank Group, estimates its share of international third-party business to be 75% of assets under custody. As the largest custodian in the Nigerian market, it also claims to attend to some 80 to 85% of all foreign investors taking investment decisions in Nigeria.

The bank is involved in major advocacy initiatives in the country. “Excellent local relationship management and client service support with a pro-active approach taken in supporting client needs,” says one large bank client. “Active market, good support provided. Agent needs to continue to lobby with CBN to address regular RTGS issues,” says another.

Two service areas – Settlement and Relationship Management and Client Service are rated above 5.00 (Good). “Relationship management guided us with many efforts through very difficult times,” says one European custodian. “Always available to help and deliver high quality services as far as possible.”

Standard Chartered Bank

“The service has gradually improved throughout the year,” says one client of SCB’s custody operation in Nigeria. A drop in results in all categories of between 0.17 and 0.52 points leaves most categories in Satisfactory territory, though Relationship Management and Client Service and Technology are both still rated good.



TANZANIA

The securities market in Tanzania emerged in the 1990s as a result of the government policy to liberalise the financial sector. The key financial services available for investment are equities, corporate bonds, commercial paper, warrants, collective investment schemes, government bonds and treasury bills at this stage. Treasury bills and government securities may not be held by foreign investors outside East Africa.

The equities market consists of 25 companies listed at the Dar es Salaam Stock Exchange (DSE); four of these companies are dual listed on the Nairobi Stock Exchange (NSE) in Kenya. Six corporate bonds have been issued and listed at the DSE.

The Government Bond market has maturities of two, five, seven and ten-year tenures that are issued in the primary market by the Bank of Tanzania on behalf of the Government. Auctions are held every two weeks; one tenor is sold for each auction and are held at the BOT. The Bank of Tanzania (BOT) also issues treasury bills for maturities of 35, 91, 182 and 365 days. Auctions for all tenors are done in a single day.

All securities in the market are issued, traded and held in dematerialised form. Equities, corporate bonds, commercial paper, warrants, collective investment schemes, and government bonds and treasury bills are held at the CSD.

In April 2017, the DSE removed restrictions on foreign investor participation in telecommunication IPOs. Effective October 2017, the CSDR took over the functions of the CSD and Registry Services department of the DSE.

Stanbic Bank Tanzania

Stanbic estimates its market share in Tanzania at 32%. Its category scores are largely in Satisfactory territory, though Settlement and Asset Servicing are comfortably in Good range.

Standard Chartered Bank

“SCB provides consistent service and has good market knowledge,” says one client. Year-on-year, scores have increased in Settlement, Ancillary Services and Value Delivered. This last category is now rated Satisfactory rather than weak.



TUNISIA

Major system migrations are planned for end-2018 for both the Tunisian Stock Exchange (TSE) and the CSD. TSE has signed an agreement with Euronext, where it will provide by the end of the year the latest electronic trading technology, based on its Optiq multimarket and multi-asset platform, which manages cash markets (equities, bonds, ETFs, warrants) and derivatives (futures and options).

An RFP has meanwhile been published by the CSD for the acquisition of a new CSD system with improved STP capabilities. Tunisie Clearing has selected Montran Corporation to run this project, expected to go live by end-2018.

The standard foreign ownership limit of 50% where the authorisation of the High Investment Commission was required has been removed in the new investment code. Two banks, BIAT and Societe Generale, qualify for write ups this year.

Union Internationale de Banques (UIB) -SGSS Tunisia

SGSS Tunisia estimates its market share of inbound custody business at at least 80% for what it calls “non-strategic” foreign investor assets, and 15% for all foreign investor assets. Client comment is broadly positive. “Proactive service and attentive to servicing needs,” says one client. “Services delivered by the agent are quite good; teams are pro-active and very professional,” says another, who offers particular praise for Relationship Management. “Service received from UIB (SGSS Tunisia) continues to be of the highest standard,” says a third. Results are similar to last year though with a wider spread. At the top end, Relationship Management and Client Service scores an impressive 6.05 (Very Good), while Value Delivered, often a proxy for commenting on fee levels, is now down to 4.81.

BIAT

BIAT is languishing somewhat in this year’s survey, recording scores considered Weak (3.00-3.99) in Asset Servicing and Technology. Value Delivered has, however, risen from Weak last year (3.91) to Satisfactory (4.46).



SWAZILAND

The Swaziland Stock Exchange (SSX) is yet to finalise the automation of its processes, though integration between the SSX and the Central Bank is complete. An automated trading system is still waiting to be launched.

The SSX is involved in intense consumer education on exchange traded funds, another initiative to stimulate activity on the SSX.

Global intermediaries have opened accounts in the Swazi market, but there is so far little evidence of foreign investor activity in the securities market outside of South African institutions.

Standard Bank Swaziland is the only custodian for whom responses have been received. Its scores at a category level range from 4.00 to 5.00. One client notes, “No activity to provide a reasonable score; however, client service is lacking with non-responsiveness to emails on a regular basis.”



UGANDA

The Uganda Securities Exchange (USE) is set to operate a demutualised stock exchange. Approval was given on 31 August 2017.

This paves way for the planned self-listing of the USE through an Initial Public Offer (IPO). A new e-Portal allows investors to view their stock performance, monitor their account balances and view statements. This was launched on 7 March 2017.

Stanbic Bank Uganda Limited

Stanbic estimates its market share to be 60% based on assets under custody. Its custody division forms part of an Africa franchise under the Standard Bank Group. Its scores at a category level are all in the Good range this year, following increases in Asset Servicing and Technology.

Standard Chartered Bank

“SCB has taken steps over the last year to improve its team and was a consistent provider of services over the past year;” says one European client. Following a mixed set of results last year, all category scores have risen by between 0.15 and 0.62 points. Three service areas are now rated above 5.00, the threshold between Satisfactory and Good. These are Settlement, Asset Servicing and Relationship Management and Client Service.

ard Chartered Bank are in talks to establish a Custodian Association which will be used to address matters that are of common interest to the custody business and client base in Zambia.

Stanbic Bank Zambia

Stanbic estimates its market share of assets under custody to be 55%. From a small response sample, scores at a category level are up in most areas. Asset servicing and Technology are both rated Good (5.00 or above) and all other service categories are considered Satisfactory.

Standard Chartered Bank

“SCB has improved the consistency of its service levels and has a good understanding of the market;” says one large US respondent. “Client service is now to a high level.”

By contrast, another client comments that, “We have low volumes so service is satisfactory at this stage. We have however had to follow up with them with queries logged.” Category scores are rated either Satisfactory or Good, though Value Delivered has fallen from Satisfactory to Weak, suggesting that service is seen as expensive for what it is.



ZAMBIA

The Zambian market, like most markets in the region, struggles with a shortage of investable assets and a consequent impact on liquidity levels. It nevertheless, continues to ensure that its infrastructure is well placed to cope with volumes when they come. The Lusaka Securities Exchange (LuSE) upgraded its Automated Trading System (ATS) and Central Securities Depository (CSD) platform in December 2017. There were no significant changes in the trading rules. The new system has SWIFT capability and once fully implemented, end of day statements will be generated.

The integration of the LuSE CSD and the Bank of Zambia CSD is still in the pipeline for 2018.

The amendment of the SEC Act in 2016 makes allowance for the separation of the CSD from the Lusaka Stock Exchange, linking of the LuSE CSD and the Bank of Zambia CSD systems. This separation is set for Q2, 2018.

The two principal service providers, Stanbic Bank and Stand-

ZIMBABWE

The Zimbabwean market remains a rollercoaster ride: rewarding for the brave-hearted, but rather volatile. The market has continued to experience foreign currency challenges that make repatriation of funds, something of a waiting game. However, the Reserve Bank now seems to be taking some action to ease the situation for foreign investors, aided somewhat by a change in political dispensation that is causing some investors in the exit queue to reconsider local investment options. A new Zimbabwe Portfolio Investment Fund by the Reserve Bank of Zimbabwe with seed capital of USD 5 million aims to assist in the repatriation of foreign clients’ investment.

At the beginning of May 2017, the Zimbabwe Stock Exchange (ZSE) and Chengetedzai Depository Company (CDC) successfully reduced the settlement cycle from T+5 to T+3. CDC rules were adopted following market consultations as instructed by the Securities and Exchange Commission.

The CDC announced its intention to introduce fixed income instruments onto the CSD. While the ZSE plans to list fixed income instruments at some point in 2018.

Stanbic Bank Zimbabwe

Stanbic Bank claims the bulk of inbound custody business. “Stanbic is a fairly strong and consistent service provider despite some trying market conditions,” notes one large US global custodian. Category scores have improved for the most part, particularly in the areas of Asset Servicing and Technology, which have both increased their ratings from Satisfactory to Good. Value Delivered has, however, fallen a little. While still Satisfactory, there is an indication that clients consider the service on the pricey side.

Standard Chartered Bank

Standard Chartered has seen a decline in service category scores with the exception of Value Delivered, though all categories remain in Good range with the exception of Ancillary Services. Clients recognise the challenging environment for Zimbabwean service providers. “Somewhat unfair to score, as most difficulties are not based on will to perform, but linked to the important economic crisis,” says one European bank.

Service has moved in the opposite direction and is now rated only Satisfactory. No additional comments have been received to qualify the survey responses.

Standard Chartered Bank

“Generally good client service support,” says one large US global custodian of SCB’s Bangladesh custody operation. Scores have risen in all service areas, though none has yet broken through form Satisfactory to Good. Closest is Relationship Management and Client Service, which, at 4.96, has recorded a rise of 0.34 points, year-on-year.

ASIA



BANGLADESH

The Dhaka Stock exchange has recently been subject to rival bids led by the Shenzhen Stock Exchange and the National Stock Exchange of India, respectively. A Chinese consortium now looks set to acquire a 25% stake in the DSE.

HSBC

Although HSBC has recorded fewer responses than Standard Chartered in Bangladesh, they tend to be from larger clients. While overall performance remains similar to last year, this masks the fact that Asset Servicing has risen by 0.51 points and is now rated Good, while Relationship Management and Client



KAZAKHSTAN

Traditionally seen as a trade route between China and Europe, Kazakhstan’s economy is now largely dependent on oil wealth which is being used to diversify its economy.

The market as a whole faces challenges from burdensome regulation as well as a need for competition and reform.

In terms of financial market infrastructure, however, the Kazakhstan Stock Exchange (KASE) runs on a T+2 settlement cycle and is seen as working to adhere to industry best practice.

Citi

In its fourth appearance in the ABFM Kazakhstan survey, Citi recorded scores of 5.00 and above in all categories, apart from Value Delivered, which remains at the same level as last year (4.33). With an increase of 0.66 points for Settlement, the bank has more than regained ground lost in last year’s survey. However, one client claims to have seen “a drop off in response timeliness.”

Raiffeisen Bank International

This year, RBI is rated in its own right. While most of its category scores are impressive, well in Good range and in the case of Ancillary Services on the cusp of Very Good, its result for Value Delivered, 4.50, suggests that it is considered relatively expensive.



SRI LANKA

Last year's ABFM survey noted that the Colombo Stock Exchange (CSE) had invested significantly in its electronic trading and settlement service. The market settles on a T+3 cycle, but is not based on true DVP. The shares move from the seller's account to the buyer's on trade date itself, whilst cash settlement takes place on T+3.

Tax reclaim services are not applicable to the local market. Withholding tax is only applicable on dividend and interest proceeds at 10%, while the Double Taxation Avoidance Agreement rates for all treaty countries are also 10%.

Citi

Citi's upward trajectory in category scores continues for a second year with increases at a category level of between 0.39 and 1.60 points. All category scores are now solidly in Good range. Relationship and Client Service, which dropped noticeably last year, has more than recovered its position and now represents the highest score achieved (5.71).

HSBC

"HSBC is dependable and has a good overall market knowledge," says one large US client of HSBC's Sri Lankan custody service.

HSBC has reversed the decline in category scores recorded last year and sees improvements in all areas, most notably Asset Servicing, which is up 1.11 points to 5.88. Three areas – Technology, Ancillary Services and Value Delivered – remain in Satisfactory territory.

Standard Chartered Bank

"Though the team size is small, they are equipped with good market knowledge and are timely and effective in responding to queries," says one large client. The bank's category scores, all in Good range (5.00-5.99), are at similar levels to last year.

Other

The Deutsche Bank, Colombo Branch settles on average 1900 transactions on a monthly basis in Sri Lanka and estimates its market share at 20%. It does, not however, receive sufficient responses for a rating this year..



VIETNAM

Like other markets in the Asia region, Vietnam faces its share of market-specific challenges, but is recognised as a market of great promise. A 10-year strategy, running to 2020, will see operations moving in line with international practices.

HSBC

"HSBC is great at engaging the customer to ensure a partnership approach to the relationship," says one large global custodian. "They work well with us on our initiatives to ensure our needs are met. They have a particularly strong relationship with the market regulators and as such are a strong voice and advocate on behalf of us and our clients."

The bank has recorded another solid set of results in Vietnam with category scores up in all areas bar Value Delivered, which remains at a respectable 5.50. Relationship Management and Client Service accounts for the bank's best performance at 6.17.

Standard Chartered Bank

Standard Chartered is the star of the show in Vietnam this year having recorded a set of category scores all in Very Good range (6.00-6.99), including, unusually for this survey, Value Delivered, where high marks are rare. "We appreciate their fast responses and excellent client service," says one large client.

Other

Citi was rated rather harshly last year by its response base. In some respects, this continues. "Need improvement in client services and relationship management and proactiveness in understanding foreign investors' needs," says one large Asian client. With a smaller sample than last year, not warranting a full write up, Citi has nevertheless recorded increases in two-thirds of service categories, though two – Relationship Management and Client Service and Value Delivered – are rated Weak.

Deutsche Bank has seen scores decline somewhat on a smaller response sample, but remains largely in Good and Very Good territory.

THE AMERICAS



BERMUDA

Bermuda has a reputation as an offshore centre that is largely based on its position in the global insurance and reinsurance industry, which are sources of investment, rather than its processing prowess in securities services per se. With only one provider, HSBC, receiving sufficient responses for analysis and a relatively thin response sample, any conclusions are necessarily tentative.

HSBC

Despite a sizeable financial services sector, custody providers in Bermuda are limited to HSBC following its acquisition of Bank of Bermuda. Results are disappointing, with falls across the board from 0.26 points for Asset Servicing to as much as 1.79 for Value Delivered, which is now rated Weak. One client suggests that, “knowledge of the market and response time to queries and questionnaires need to improve.”



COLOMBIA

The Bolsa de Valores de Colombia is one of the largest stock markets in Latin America. A number of changes have been introduced in the market in the past year. A CCP was introduced for equities in late 2017, the first stage being for repo transactions. All repo trades executed on equity instruments are now cleared and settled through the CCP. A project to launch a new CSD platform has also been launched.

Under the new Decree 119 of 2017, Foreign Portfolio Investors (FPIs) are able to appoint more than one Local Custodian/Administrator. A subsequent circular permitted the use of Omnibus cash accounts for Foreign Investors was issued.

BNP Paribas Securities Services

BNP Paribas is a fairly recent entrant to the sub-custody market in Colombia, having begun offering services in 2013. It has maintained its high scoring pattern again in this year’s survey. Only Technology slips below the Very Good threshold (6.00), falling 0.34 points. Without additional client comment to elaborate, this is more likely to reflect a glitch in the service in 2017, rather than a decline in the standard of client facing technology at BNP Paribas.

Citi

Citi has recorded a mixed set of results in Columbia this year. One service category, Ancillary Services, has risen 0.12 points and Relationship Management and Client Service has risen slightly to 5.21, but other scores are down. Value Delivered, in particular, has seen a drop of 0.65 points. “Good service, but the fees paid are too expensive,” says one client.

Itaú Securities Services Colombia S.A

Itaú processes a monthly average of 2000 transactions and claims a 5% market share of inbound custody business. While its category scores are all in good range apart from Technology, its response sample this year was unfortunately too small to allow for more detailed analysis.





PERU

Peru is the world's second-largest zinc and copper producer, but like many of its continental counterparts, it has had to confront a range of political and economic headwinds. The Lima Stock Exchange (Bolsa de Valores de Lima, BVL) index is, however, up on the year to date on limited liquidity. While responses were received for four banks, only Citi received sufficient for a write up.

Citi

Citi's position as the dominant player in the market remains intact. Small improvements at a category level mean that all results are in Good range with the exception of Value Delivered, now down to 4.87. "Response times have improved but there is still further room for improvement," says one large US global custodian, noting further that, "Failed trades have greatly increased after the switch to a T+2 settlement cycle. Brokers need to step up their game." Another client suggests that this agent is "great at day to day processing, but can improve on tax information."



URUGUAY

The Central Bank of Uruguay acts as the CSD in this market. In 2018. The market expects to implement a new centralised system in 2018 to support global custody operations.

Compared to some of its Latin American counterparts, Uruguay is considered one of the more prosperous countries over the past decade due to its relative openness as well as a strong commitment by the government to maintaining the rule of law.

Banco Itaú Uruguay S.A

Banco Itaú, the only service provider to receive responses for Uruguay, processes an average 150 settlement transactions per month for its custody clients with an average volume of US\$ 1.3 million. The bank records scores of 5.00 (Good) for all service categories apart from Value Delivered, which is seen as Weak. This is most likely a judgement on fee levels. One global custodian praises a "very strong client service team".

Market	Provider	Settlement	Asset Servicing Safety	Relationship Management And Client Service	Technology	Ancillary Services	Value Delivered
Bahrain							
	HSBC	5.31	5.39	5.08	5.33	5.10	4.67
Bangladesh							
	HSBC	4.82	5.29	4.53	5.12	4.71	4.94
	Standard Chartered Bank	4.72	4.88	4.96	4.85	4.89	4.66
Bermuda							
	HSBC	4.64	4.64	4.64	4.36	4.64	3.89
Bosnia & Herzegovina							
	Raiffeisen Bank Intl	5.31	5.41	5.76	5.57	5.83	5.65
	UniCredit	5.17	5.17	5.33	4.33	4.33	3.67
Botswana							
	Standard Bank	6.00	6.00	6.00	6.00	5.00	6.00
	Standard Chartered Bank	5.33	5.00	4.87	4.56	4.77	4.12
Bulgaria							
	Citi	5.52	5.24	5.62	5.39	5.10	4.46
	Eurobank	6.38	6.49	6.59	5.97	6.14	6.43
	Raiffeisen Bank Intl	6.00	5.67	5.33	5.83	5.50	5.50
	UniCredit	4.92	5.04	5.12	5.04	5.04	4.72
Colombia							
	BNP Paribas	6.40	6.00	6.80	5.80	6.00	6.00
	Citi	5.31	4.81	5.21	4.75	5.05	4.29

[SURVEY | AGENT BANKS IN FRONTIER MARKETS]

Market	Provider	Settlement	Asset Servicing Safety	Relationship Management And Client Service	Technology	Ancillary Services	Value Delivered
Croatia							
	Privredna Bank	5.26	5.07	5.52	5.07	4.86	4.70
	Splitska banka	6.17	6.50	6.50	6.00	6.17	6.50
	UniCredit	5.39	5.31	5.35	5.25	5.24	4.84
Cyprus							
	BNP Paribas	5.67	5.39	6.28	5.50	6.00	4.94
	Citi	5.06	5.19	5.06	4.85	4.85	4.82
	Eurobank	6.33	6.16	6.49	6.18	5.86	6.24
Estonia							
	SEB	5.79	5.46	5.25	5.52	5.38	4.71
Ghana							
	Standard Bank	6.00	5.00	6.00	3.00	5.00	5.00
	Standard Chartered Bank	4.91	4.97	5.00	4.72	4.50	4.70
Iceland							
	Islandsbanki	5.30	5.20	5.20	4.71	4.70	5.00
	Landsbankinn	4.62	4.62	4.62	4.62	4.23	4.23
Ivory Coast							
	Societe Generale	5.38	5.00	5.38	5.00	4.75	5.38
	Standard Chartered Bank	4.75	4.75	5.00	4.75	4.25	3.67
Jordan							
	Bank of Jordan	5.30	5.35	5.80	5.00	5.30	5.45
	Standard Chartered Bank	5.64	5.14	5.75	5.36	5.18	5.13
Kazakhstan							
	Citi	5.33	5.33	5.00	5.00	5.33	4.33
	Raiffeisen Bank Intl	5.00	5.50	5.50	5.50	6.00	4.50
Kenya							
	Standard Bank	5.11	5.11	6.11	5.44	5.11	5.11
	Standard Chartered Bank	5.59	5.08	5.14	4.90	4.96	4.68
Kuwait							
	HSBC	5.56	5.56	5.82	5.33	5.41	5.21
Latvia							
	SEB	5.38	5.13	5.46	5.05	4.90	4.50
	Swedbank	5.00	5.00	5.00	6.00	5.00	
Lithuania							
	SEB	5.83	5.38	5.72	5.23	5.50	4.71
Malawi							
	Standard Bank	4.50	5.00	4.67	4.00	4.50	3.00
Mauritius							
	HSBC	5.78	5.65	5.22	5.25	5.22	4.78
	Standard Chartered Bank	5.22	5.00	5.06	4.80	4.72	4.72
Namibia							
	Standard Bank	4.50	4.75	3.75	4.75	4.50	3.67
Nigeria							
	Standard Bank	5.40	4.67	5.19	4.87	4.81	4.51
	Standard Chartered Bank	4.48	4.88	5.00	5.00	4.80	4.52
Oman							
	HSBC	5.43	5.41	5.54	5.29	5.31	4.71

[SURVEY | AGENT BANKS IN FRONTIER MARKETS]

Market	Provider	Settlement	Asset Servicing Safety	Relationship Management And Client Service	Technology	Ancillary Services	Value Delivered
Peru							
	Citi	5.30	5.00	5.11	5.09	5.09	4.87
	HSBC	5.00	5.00	5.00	5.00	5.00	5.00
	Scotiabank	3.00	4.00	4.00	3.00	4.00	3.00
Romania							
	Citi	5.52	5.16	5.90	5.25	5.43	4.73
	Raiffeisen Bank Intl	5.50	5.58	5.83	5.00	5.33	5.50
	Societe Generale	6.50	6.17	6.33	6.50	6.17	6.33
	UniCredit	5.67	5.67	5.89	5.48	5.63	5.67
Saudi Arabia							
	HSBC	5.07	5.70	5.58	5.23	5.23	4.89
Serbia							
	Raiffeisen Bank Intl	5.70	5.09	5.55	5.25	5.00	5.18
	UniCredit	5.47	5.16	5.84	5.31	5.33	5.19
	Vojvodjanska Bank	7.00	6.76	7.00	6.76	7.00	6.88
Slovenia							
	Raiffeisen Bank Intl	5.00	5.67	5.67	5.67	5.00	5.67
	SKB	6.00	5.00	6.00	5.00	5.00	5.00
	UniCredit	5.43	5.49	5.38	4.92	5.42	5.00
Sri Lanka							
	Citi	5.50	5.50	5.71	5.50	5.40	5.29
	HSBC	5.76	5.88	5.88	4.88	4.76	4.88
	Standard Chartered Bank	5.44	5.33	5.78	5.22	5.33	5.33
Swaziland							
	Standard Bank	4.00	5.00	4.00	4.50	4.50	4.00
Tanzania							
	Standard Bank	5.50	5.50	4.00	4.50	4.50	4.00
	Standard Chartered Bank	5.30	4.94	4.70	4.94	4.95	4.20
Tunisia							
	BIAT	4.33	3.89	4.06	3.67	4.33	4.46
	Societe Generale	5.33	5.10	6.05	5.05	5.29	4.81
Uganda							
	Standard Bank	5.00	5.00	5.00	5.00	5.00	5.00
	Standard Chartered Bank	5.13	5.00	5.22	4.75	4.78	4.35
Ukraine							
	Citi	5.21	4.95	5.21	5.13	5.38	4.26
	Raiffeisen Bank Intl	5.17	4.50	5.00	5.00	4.33	5.17
Uruguay							
	Banco Itau	5.00	5.00	5.00	5.00	5.00	3.00
Vietnam							
	HSBC	5.67	5.67	6.17	5.63	5.67	5.50
	Standard Chartered Bank	6.67	6.67	6.33	6.67	6.67	6.00
Zambia							
	Standard Bank	4.50	5.00	4.00	5.00	4.50	4.50
	Standard Chartered Bank	5.15	4.74	4.69	4.74	4.50	3.90
Zimbabwe							
	Standard Bank	4.67	5.00	4.67	5.00	4.67	4.00
	Standard Chartered Bank	5.38	5.00	5.00	5.00	4.63	5.00