

# *Domestic Survey* **Greece**



# Local heroes

In recent years, Greek custodian banks have been prisoners of the country's sovereign debt ratings. Until these improve, domestic institutions will be an increasingly important client segment.

Domestic Greek banks offering custody and securities services may be forgiven for feeling a little aggrieved at the position they find themselves in with regard to foreign institutional clients. Despite their relatively robust survey ratings, the state's non-investment rating makes it tough to retain foreign institutions that are subject to restrictive regulatory and fiduciary obligations. Largely as a result of sovereign credit rating issues – not to mention other macro-economic challenges for the Greek economy – “Inbound flows have almost disappeared!” says Panagiotis Papapetrou, director, strategy planning and sales, securities services, Piraeus Bank. “The Greek branches of Citi and BNP Paribas – our direct competitors – have won more or less all the ....‘deserters’.”

The three main systemic banks, Eurobank, National Bank of Greece (NBG) and Piraeus Bank, have therefore sought to nurture the business emanating from the the growing domestic institutional investment sector. “Contrary to the decline of foreign clients’ assets, over the past few years we have observed an increase in domestic clients’ institutional fee base, resulting from assets coming from newly established investment companies and increased custody service demands for occupational investment funds,” says Christos Dallis, director, head of NBG Treasury & Investment Services. “Other

domestic client prospects include Real Estate Investment Companies (REICS), Alternative Investment Funds (AIFM) and Venture Capital closed type Companies (AKES).”

There is an increased interest in the funds industry, confirms Konstantinos Lapas, head of securities services sector, global transaction banking, Eurobank. “After almost two decades, a new mutual fund management company was founded in the Greek funds market – we are pleased to be their custodian and fund administrator – while several new UCITS and alternative investment funds (AIFs) have been created throughout the last few years as a response to the new investment models of the Greek investment community.”

“The Greek economic crisis, various key reforms, legislative changes and capital control restrictions have significantly altered the domestic institutional investor profile, placing greater emphasis on automation, streamlined processing and transparency at all levels of the operational chain,” adds Christos Garoufalis, head of custody network management & development within NBG Treasury & Investment Services. “Domestic investor requirements are thus becoming very similar to those of foreign clients.”

This is a tough environment in which to compete. “The three domestic custody banks are all targeting every category

of institutional investor in Greece,” says Anna Fakiola, head of sales & relationship management, securities services, Piraeus Bank. “They all offer the full length and breadth of services needed to support the institution’s total requirements.”

“Foreign investors tend to invest in listed derivatives, stocks and bonds, while domestic investors tend to utilise a broader spectrum of our full suite of services; clearing in the spot market, clearing in the derivatives market, global custody, margin trading for their clients in the Athens Exchange, fund administration, middle office and cash management services,” says Lapas.

Piraeus Bank Securities Services has turned its attention both to ‘internal clients’ -private banking, treasury, corporate and retail banking- and to the creation of an overall service package for institutional clients. “We have put in place a flexible cross-selling scheme within the bank for clients to have easy access to every other banking service required,” says Papapetrou.

The pages that follow assess the perceptions that Greek domestic institutional clients hold of their securities services providers in the local market. With corporate strategies in flux as economic and political developments unfold, not least the consequences of a general election, it might be prudent to treat these results as ‘provisional’.

## Methodology

The data for the 2019 Greece domestic custody survey was gathered over a number of months from Q3 2018 through to end-April 2019. Three banks have recorded sufficient responses from domestic clients to warrant a write up and presentation of results. Responses recorded for other banks were retained for use in establishing market average scores at a service category and question level.

The questionnaire covered an increased number of service categories compared to prior years, though it allowed

respondents to skip any question or service area in its entirety or rate an entire service area by answering a single question. Respondents were asked to agree or disagree with a series of propositions on a scale of 20 points. These results were then converted to the seven-point scale (where 1=unacceptable and 7=excellent) familiar to readers of Global Custodian and the resulting data submitted by McLagan to Global Custodian for analysis. (For the agent bank surveys, this analysis was conducted by McLagan.)

# National Bank of Greece

National Bank of Greece (NBG) will be pleased with this set of results, showing a domestic institutional client base rating services in all categories as Very Good (6.00–6.99). The vast majority of these are rated in the upper half of this range.

Qualitative client comments back up the numerical scores. “They seem to completely understand our business needs,” says one local insurance client, while another notes that, “Their responsiveness to all our questions/demands is instant.”

Operation expertise attracts particular praise. “We believe that the operational staff perform their work perfectly,” says one CFO. “Constantly communicates and discusses in detail all market developments, operational issues and service improvement suggestions aiming to optimise our day - to - day business,” says a pension fund manager.

Three categories tie for highest score with 6.94. These are the three Rs – Regulation and Compliance, Relationship Management and Risk Management, where NBG also achieves the highest category scores across the survey as a whole.

Comparing the bank’s ratings from its domestic clients with those from cross-border clients recorded as part of the 2018 Agent Banks in Emerging Markets (ABEM) survey, the former

prove more generous in all areas. In two categories, Asset Safety and Regulation and Compliance, this is unsurprising as they are areas where foreign client confidence is likely to have been knocked back as a result of the broader macro conditions resulting from the extended economic crisis. Domestic institutions familiar with the market environment will no doubt be well placed to contextualise their expectations in this regard.

At an individual question level, the bank scores a perfect 7.00 for roughly 60% of questions. These include most aspects of Relationship Management, Client Service and Technology. Where the bank most exceeds the market average, however, is in four specific questions where the bank’s score is between 6.25 and 6.62, while the market average is between 5.00 and 5.69. These are, respectively, a willingness to share the benefits of internalisation where the bank is acting for both sides of a transaction, a willingness to repay tax withheld, differential pricing for more efficient clients, and liquidity management services in general.

There are only two questions where NBG’s score is a tad below the market average: asset servicing in general; and timely settlement. In both cases, however, the bank’s absolute score is impressive at 6.33 in both cases.

CATEGORY SCORES Category	NBG (10 responses)
Account Management	6.76
Asset Safety	6.89
Asset Servicing	6.33
Cash Management and FX	6.92
Client Service	6.83
Innovation	6.78
Liquidity Management	6.81
Pricing	6.50
Regulation and Compliance	6.94
Relationship Management	6.94
Risk Management	6.94
Technology	6.78

DOMESTIC VS CROSS-BORDER Category	NBG domestic	NBG cross-boarder	Variance %
Cash Management and FX	6.92	2.89	4.03
Asset Safety	6.89	3.56	3.33
Regulation and Compliance	6.94	4.18	2.76
Innovation	6.78	4.10	2.68
Liquidity Management	6.81	4.54	2.27
Technology	6.78	4.71	2.07
Client Service	6.83	5.20	1.63
Relationship Management	6.94	5.33	1.61
Account Management	6.76	5.46	1.30
Asset Servicing	6.33	5.29	1.04
Risk Management	6.94	6.14	0.80
Pricing	6.50	5.96	0.54

Question level		
<b>Most ahead:</b>	<b>Pricing</b>	Sharing the benefits of internalisation where both counterparties are with NBG
	<b>Asset Servicing</b>	They are willing to pay tax withheld before agreement is reached with the tax authorities in this market
	<b>Pricing</b>	They are open to differential pricing for more efficient and less efficient clients
	<b>Liquidity Management</b>	The liquidity management services provided by this service provider are excellent
<b>Most behind:</b>	<b>Asset Servicing</b>	The level of asset servicing provided by this service provider is excellent
	<b>Asset Servicing</b>	Transactions processed by this provider in this market always settle in a timely fashion

# Eurobank

With nine validated domestic responses, Eurobank has recorded an impressive set of category scores, all comfortably in the Very Good range (6:00-6:99). The lowest score, 6.28, for pricing, is still well above global norms for a category in which clients are generally reticent about showing too much enthusiasm.

With no additional comments to qualify or add colour to the scores, one must assume that the domestic institutional client base is quite happy with the levels of service being provided by Eurobank.

Comparing the perceptions of domestic and foreign institutional clients (the latter published in Winter 2018), a number of points are worth noting. The divergence is greatest in the area of innovation. Domestic clients have scored the bank a particularly high 6.84 in this category, presumably based on their own direct experience of services provided by Eurobank over the past few years. Cross-border clients will in all likelihood have compared their impressions of Eurobank to providers in other markets with which they interact to arrive at an average 5.87 – still significantly higher than the global average of 4.75 for this category.

Conversely, foreign clients are more generous in assessing the bank's client service, rating Eurobank an almost perfect 6.96

(7.00 is the highest possible score). Had it not been for this rating, the domestic average of 6.48 would itself have been cause for celebration.

The same questionnaire was used to gather responses for both cross-border and domestic clients. Clearly, however, a category such as Cash Management and FX will be of more general importance to the former. Nevertheless, responses were received from domestic institutions for this category and a rating is therefore published, though their experience of the bank's services in this area is likely to be less extensive than their foreign counterparts.

At an individual question level, Eurobank scores a perfect 7.00 from its domestic clients for the wide range of options it provides for investment of cash. In fact, almost half of the individual questions in the survey attract a perfect score from Eurobank's domestic clients.

Only the scores from two of the 74 survey questions may give Eurobank any cause for concern and both concern aspects of pricing strategy. Respondents perceive a reluctance by the bank to share the benefits of internalisation where it acting for both sides of a transaction and is apparently unenthusiastic about differential pricing based on client efficiency. Overall, however, this is an excellent performance.

CATEGORY SCORES Category	Eurobank (9 responses)
Account Management	6.73
Asset Safety	6.87
Asset Servicing	6.57
Cash Management and FX	6.81
Client Service	6.48
Innovation	6.84
Liquidity Management	6.84
Pricing	6.28
Regulation and Compliance	6.89
Relationship Management	6.55
Risk Management	6.80
Technology	6.81

DOMESTIC VS CROSS-BORDER Category	Eurobank domestic	Eurobank cross- boarder	Variance %
Innovation	6.84	5.87	16.52
Relationship Management	6.55	6.22	5.31
Risk Management	6.80	6.52	4.29
Account Management	6.73	6.73	0.00
Asset Safety	6.87	6.88	-0.15
Liquidity Management	6.84	6.86	-0.29
Pricing	6.28	6.30	-0.32
Regulation and Compliance	6.89	6.92	-0.43
Cash Management and FX	6.81	6.95	-2.01
Technology	6.81	6.97	-2.30
Asset Servicing	6.57	6.90	-4.78
Client Service	6.48	6.96	-6.90

Question level		
<b>Most ahead:</b>	<b>Asset Servicing</b>	They are willing to pay tax withheld before agreement is reached with the tax authorities in this market
	<b>Asset Safety</b>	This provider ensures we always know where and how our collateral/margin is held in this market
	<b>Asset Servicing</b>	Their deadline for receipt of proxy voting instructions is superior to other providers
	<b>Liquidity Management</b>	The liquidity management services provided by this service provider are excellent
<b>Most behind:</b>	<b>Pricing</b>	They service our biggest counterparties and share the benefits of internalisation with us
	<b>Pricing</b>	They are open to differential pricing for more efficient and less efficient clients

# Piraeus Bank

Piraeus Bank received the most responses of the three main indigenous providers, suggesting an engaged and growing domestic institutional response base.

Aggregated scores from these clients provide a relatively wide spread at a category level. At the top end are Account Management (6.49) and Regulation and Compliance (6.41) while lowest scores are for 4.59 for Liquidity Management and 5.29 for Pricing. In this, the bank is conforming to the global norm, where pricing is often found at the bottom end of category rankings, clients generally being unwilling to signal their satisfaction with pricing levels.

At an individual question level, the bank scores a perfect 7.00 for demonstrating safety and soundness on a continuous basis. One broker client comments that, “We count on Piraeus Bank Securities Services for the safety of our clients’ assets and feel comfortable enough with this longstanding cooperation to take our core services to the next level.”

Question scores where the bank most exceeds the market average are for client services and account management services as a whole as well as the timely settlement of transac-

tions. Conversely, apart from pricing, the biggest gaps below the average appear to relate to technology, particularly when it comes to upgrades and change.

Comparing responses from domestic and foreign institutional clients – the latter gathered during the Agent Banks in Emerging Markets survey conducted in Q4 2018 – it is the local institutions that appear the more generous in their scoring across the majority of categories. The gap is most noticeable in the areas of Risk Management, Asset Servicing and Account Management, where domestic scores are between 14% and 23% higher. Only in the areas of Liquidity Management and Cash Management and FX is there a significant gap in favour of foreign respondent. Interaction with the bank’s FX services is unlikely to be as extensive among domestic respondents, however, and it would be unwise to draw any firm conclusions from this discrepancy.

Overall, Piraeus Bank can be heartened that half of all service categories score comfortably in the Very Good range (6.00-6.99) with the bulk of the remainder at the upper-end of Good (5.00-5.99).

CATEGORY SCORES Category	Piraeus Bank Securities Services (21 responses)
Account Management	6.49
Asset Safety	6.10
Asset Servicing	5.81
Cash Management and FX	5.71
Client Service	6.21
Innovation	6.12
Liquidity Management	4.59
Pricing	5.29
Regulation and Compliance	6.41
Relationship Management	6.27
Risk Management	5.94

DOMESTIC VS CROSS-BORDER Category	Piraeus bank domestic	Piraeus bank cross- border	Variance %
Regulation and Compliance	6.41	n/a	n/a
Risk Management	5.94	4.85	22.47
Asset Servicing	5.81	5.08	14.37
Account Management	6.49	5.68	14.26
Innovation	6.12	5.64	8.51
Pricing	5.29	4.96	6.65
Technology	5.65	5.50	2.73
Asset Safety	6.10	6.00	1.67
Relationship Management	6.27	6.33	-0.95
Client Service	6.21	6.33	-1.90
Cash Management and FX	5.71	6.20	-7.90
Liquidity Management	4.59	6.11	-24.88

Question level		
<b>Most ahead:</b>	<b>Client Service</b>	The client service provided by this service provider is excellent
	<b>Account Management</b>	The account management services provided by this service provider are excellent
	<b>Asset Servicing</b>	Transactions processed by this provider in this market always settle in a timely fashion
	<b>Regulation and Compliance</b>	Regulation and compliance with this service provider are excellent
<b>Most behind:</b>	<b>Technology</b>	They invest heavily to maximise the digitisation of our exchanges of information with them
	<b>Pricing</b>	They look to pass on to us some or all of the savings from cuts in market infrastructure prices