

The

2019



EMERGING MARKETS SURVEY

1989 *Global Custodian* Sub-Custodian Survey

The first *Global Custodian* survey into the performance of sub-custodian banks around the world holds a sharp mirror up to the industry. For all the sophistication and dedication of custody departments of major banks in New York, London, and Tokyo, the reality is that all post-trade efforts hinge on the weal and woe of the sub-custodian bank in the designated market. It is all to the good, then, that there has been significant improvement in the level of service provided by sub-custodians to non-domestic investors in the last two years.

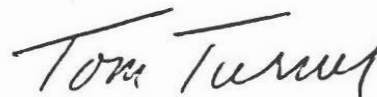
In each of 20 markets, *Global Custodian* has ranked one, or in some cases two, banks "top-rated," and one or more banks "commended." Where information was deemed inadequate to make such a judgement, countries were either omitted or agent banks were ranked in one category only. The criteria used in these judgements were—efficiency in safekeeping and settlement of securities; local regulatory knowledge; cash and securities movement reporting; software and hardware capability; and advice and/or assistance on delayed or failed trades. Also put onto the scale were history and strength of client relationships; size; systems flexibility; accessibility; and overall commitment to the business.

The survey spanned five months, and was based on over 200 background interviews worldwide, face-to-face where possible, otherwise by telephone. Respondents included operations and investment professionals at brokerage firms, investment managers, banks, consultants, and vendors, as well as the professionals at global custodians that handle agent bank networks on a daily basis.

Complicating any accurate rating of agent banks was the often unrealistic level of expectation. Many respondents have a vision of a future where standardization is the norm, and anything short of that is unsatisfactory. More misleading still were respondents with elephantine memories of lost securities, misplaced instructions, unintelligible accents, and drawn-out disputes. Assessment of current capabilities was the goal of our survey, and the past was often difficult to disentangle from the present.

This survey is unavoidably subjective, nor does it pretend to cover each and every player in each market. It has been undertaken with a view to providing a blueprint for the global investor, and it is the first of a series that will eventually cover all aspects of international clearing, settlement, and custody.

The task would have been Sisyphean without the whole-hearted cooperation of industry professionals. Such credit that is due for this survey is theirs; over-simplifications and omissions are surely ours.



Tom Turner
SURVEYS EDITOR

2019 Global Custodian Agent Banks Survey

This year marks the 30th year for the Global Custodians' Agent Banks survey, which evaluates the performance of sub-custodian banks globally. The survey's findings continue to provide a benchmark for the industry, assessing client perceptions not only for themselves but also for their peers. Having been adapted to the priorities of network managers over the years, what we have now is an analysis across the major, emerging and frontier markets in 13 service areas: Account Management, Asset Safety, Asset Servicing, Cash Management and FX, Client Service, Innovation, Liquidity Management, Pricing, Regulation and Compliance, Relationship Management, Risk Management, Technology and Future Relationships. Allowance for comments from respondents for their service providers has also been included, to add more depth and colour to our understanding and evaluation of these perceptions. The three surveys collectively analyse over 100 markets, globally.

Among the three agent banks surveys conducted, a range of banks now receive recognition for outscoring their peers by receiving outperformer status. The Digital accreditation received can be on a global, market or category level and is no doubt a mark of excellence for the receiving bank.

The surveys span an average of two months and are based primarily on the direct responses to the survey. Respondents include a wide variety of institutional investors; money managers, broker/dealers and commercial banks. The responses are weighted based on their size to ensure a reflective analysis. Validation is essential and this is carried out vigorously to ensure the sample collected is representative of the service provider being rated, throughout the survey process. Domestic responses or affiliates are no longer a part of the targeted response list and clients that have not been in receipt of the provider's services for over a year, are also excluded. Domestic and bespoke surveys are always still available as a separate exercise and GC welcomes innovation when it comes to new initiatives around the surveys themselves.

Even as assets under custody have grown, a handful of large global custodians now account for the majority of assets in safekeeping, with acquisitions having led to a reduction in the number of smaller players at both a global and individual market level. It could be argued that investment in technology – a crucial component of what is broadly perceived as a 'scale' business – puts some of the bigger players at an advantage, more able to cater for innovation and any new regulations that are thrown into the mix. Nevertheless, the distribution of participating providers remains broad and, with both larger and smaller more niche custodians participating, any custodian with a sufficient number of client responses can make its mark.

The evolution of surveys and the survey process has meant learning along the way. Not only from participants and service providers but also from the trends in the industry. This non-stop learning curve paired with communication is central to the successful execution of GC's Surveys. We are very grateful for the cooperation of all the industry professionals, who have stayed loyal throughout the years and for the new relationships we have made along the way. Having brought the surveys and the survey process back in-house once again, our goal going forward is to achieve the ultimate combination of sophistication and simplicity in filling in the survey and amalgamating the results. Thank you once again and we hope this partnership continues for the next 30 years and beyond.



Beenish Hussain
Surveys Manager

SAFER, BUT DEARER

The 2019 Agent Banks in Emerging Markets survey points to shifts in the service concerns of institutional investors.

This is the 30th consecutive year in which Global Custodian magazine has published a survey of client perceptions of the services provided by local agents.

The 2019 ABEM survey is the final project in a two-year collaboration with McLagan Investor Services and represents a joint effort, with McLagan providing the data analysis and Global Custodian managing the survey process and writing the commentary.

While, perhaps understandably, much of the industry sees the publication of the Global Custodian survey results as a competition among peers in each market covered, it is really intended to provide each bank rated with a snapshot of how its own clientele view the services it offers. If the results are good, then, of course, marketing opportunities will come to mind. If they are less good, the exercise should still provide value in pointing to areas of

operation where some work is needed to reinforce client confidence. Reports providing more granular information than is published in the magazine and online are available. (For more information contact daljit.sokhi@globalcustodian.com or matt.aldred@globalcustodian.com.)

As with this year's major market survey, ABEM covers 12 service categories with respondents asked to agree or disagree with a series of propositions along a scale from 'strongly disagree' to 'strongly agree'. The results were then converted to Global Custodian's familiar 7-point scale (where 1=unacceptable and 7=excellent).

The goal of the ABEM survey is to assess the quality of services as judged by cross-border clients only. Responses deemed to be domestic (in which a respondent in one country is assessing a respondent in the same country) or affiliated (in which the respondent is linked to the agent bank being assessed by

TABLE 2: COUNTRY SCORES (HIGHEST TO LOWEST)

Market	% of responses	Average score
India	24	6.10
Greece	9	5.31
Poland	5	5.11
Russia	5	5.75
Turkey	5	5.18
Thailand	4	5.46
UAE	4	5.40
Malaysia	4	5.52
Indonesia	4	5.55
Taiwan	4	5.80
China	3	5.65
Egypt	3	4.90
Brazil	3	5.52
Hungary	3	5.08
Philippines	3	5.41
South Africa	3	5.05
Czech Republic	3	5.21
Mexico	3	4.53
Qatar	2	5.24
Pakistan	2	5.18
Saudi Arabia	1	5.23
Chile	1	4.47
Colombia	1	4.65
Peru	1	4.81

ownership, joint venture or other form of partnership or alliance) were excluded.

The tables accompanying each market write up include scores for individual providers alongside market and global averages. Table 1 indicates the relative perceptions among the total survey response base of the quality of delivery in each service area. This allows readers to compare their own perceptions to those of the respondent pool as a whole.

While global results are similar on the whole year-on-year, there are two relative shifts of note. Asset Safety, which last year was the least regarded aspect of emerging market service provision, has moved up the table, suggesting that in emerging markets, investors are less discomfited than they were by political and regulatory uncertainty. Secondly, pricing is now an area of complaint, with respondents querying the value for money of their expenditure on custody services.

In the following pages markets are presented in alphabetical order, apart from Chile, Colombia, Pakistan, Peru, Saudi Arabia and South Africa which are on pages 121-123.

TABLE 1: GLOBAL SCORES YEAR ON YEAR

Category	Global Scores 2019	Global Scores 2018	Percentage difference
Asset Servicing	5.64	5.52	2
Asset Safety	5.62	4.60	22
Technology	5.62	5.41	4
Risk Management	5.61	5.50	2
Regulation and Compliance	5.60	5.84	-4
Liquidity Management	5.55	5.14	8
Client Service	5.50	5.56	-1
Pricing	4.86	5.28	-8
Cash Management and FX	5.37	5.42	-1
Account Management	5.28	5.14	3
Innovation	5.14	4.74	8
Relationship Management	5.13	5.30	-3
Overall	5.39	5.23	3

Brazil

The Brazilian market as a whole offers an aggregate service level above the global average for emerging markets in all but two categories: account management and cash management and FX, where it comes close. Investors are also able to select from a range of service providers, though this year only two, BNP Paribas Securities Services and Santander Securities Services, amassed sufficient responses for individual assessment.

Service providers have identified the need for operational reforms at a market level in a number of areas, including standardised connectivity via SWIFT to the CSD, streamlining client registration with the regulator and simplifying FX procedures. The market is also engaged in discussions over enabling remote voting.

At the end of June 2019, a deadline was reached for intermediaries to provide data for the identification of final beneficiaries for tax purposes.

BNP Paribas Securities Services

BNP Paribas claims \$10 billion in assets under custody for foreign clients in Brazil, which added to the total for domestic clients, takes the total up to \$23 billion. It estimates its share of international third-party business at 3.5%. Its results are impressive, with scores exceeding both the global and the market average in nearly all areas, liquidity management being an exception in the latter. The bank has implemented a new query management system across all activities and locations, reducing query response times. Relationship management comes in for specific praise from a few clients. “So far, the response we received from BNP is quick and comprehensive. The RM in BNP can sort out the problems we are facing in a short period of time,” says one.

“Really pleased with the level of service and responsiveness to our needs,” says another.

The bank’s client service has helped at least one new investor in the Brazilian market feel comfortable: “The BNPP team in Brazil has been very responsive to our needs and extremely helpful in assisting us with navigating this market which is quite new to us. Their service has been very good.”

The bank points out that its team is based in Sao Paulo, close to the regulator and market authorities, allowing management participation in marketplace committees.

Santander Securities Services

Santander claims almost \$13 billion in sub-custody assets, complementing some \$75 billion in assets under custody for domestic clients. It processes approximately 94,000 transactions a month. The bank counts seven global custodians among its international client base.

Santander exceeds the global average in all service categories and the local market average in all but one (relationship management). The bulk of its category scores are in the mid- to -upper sixes. With 7.00 being the highest possible score in the survey, these results are hard to beat. Its highest category score, 6.95, is for risk management – an area where the bank has in the past year implemented a new custody platform focused on international investors. “Outstanding service,” notes one client.

Other

Among the other providers for whom responses were recorded are Citi and Itaú Unibanco, but these were insufficient for any robust conclusions.

WEIGHTED AVERAGE SCORES

	BNP Paribas Securities Services	Santander Securities Services	Country Score	Global Score
Percentage of responses	28%	39%		
Account management	5.55	5.81	5.20	5.27
Asset safety	5.90	6.73	5.80	5.61
Asset servicing	5.81	6.75	5.67	5.63
Cash management and FX	5.31	6.17	5.28	5.36
Client service	5.97	5.85	5.51	5.49
Innovation	5.73	6.04	5.42	5.14
Liquidity management	5.69	6.38	5.85	5.55
Pricing	5.10	5.26	4.90	4.86
Regulation and compliance	5.93	6.45	5.71	5.60
Relationship management	5.89	5.33	5.51	5.14
Risk management	6.10	6.95	5.79	5.60
Technology	6.05	6.84	5.76	5.61
Total	5.80	6.21	5.52	5.38

China

A number of regulatory and operation developments in China's interbank bond market in the past year have attracted a growing number of foreign investors. This has provided securities services firms, both local and foreign with increased AUC growth.

In October 2018, People's Bank of China (PBC) launched tri-party repo in the interbank bond market, potentially helping to reduce settlement failures and ensure effective coverage of risk exposure during the repo period.

The following month, PBC approved the China Foreign Exchange Trade System (CFETS) collaboration with Bloomberg, which will soon allow foreign institutional investors to trade China bonds in the interbank market. Foreign institutional investors active in the bond market will be exempt from corporate income and value-added taxes on interest income for three years.

In January 2019, regulators approved Standard & Poor's Beijing-based unit to conduct credit rating business on the mainland, allowing it to rate domestic Chinese bonds.

More recently, the bond settlement cycle has been extended to T+3 for foreign institutional investors.

Although a relatively recent entrant to the cross-border emerging market investment universe, China has recorded aggregate results above the global average in all categories.

HSBC

HSBC records a broad range of category scores in China, from an impressive 6.40 for liquidity management to a somewhat less than stellar 3.58 for pricing. The latter score appears to be largely down to two factors: a lack of pro-activity in cutting prices whenever the opportunity arises and, in particular, not passing on cuts in market infrastructure pricing to the client. On the

other hand, the bank scores highly for helping clients optimise their holdings of collateral.

One European respondent, who compliments the bank's account management personnel for good service, nevertheless suggests that when it comes to broader asset servicing issues, HSBC "don't respond to email".

Standard Chartered

Not surprisingly, Standard Chartered is seen as a trustworthy provider. "We never worry about their confidentiality of our data," says one large and active client. Its overall results are impressive, above the global average in all categories and above the market average in all but one (liquidity management). At an individual question level, the bank's responsiveness to changes in cost base appear to be well appreciated, while its score for relationship management is well above the market average.

Other

Though responses were received for BNP Paribas and Deutsche Bank, as well as two domestic banks, these were not sufficient in number for individual ratings. Nevertheless, what scores there were for BNP Paribas suggest that with a few more responses, it could be a stand-out performer in 2020. As it stands all categories recorded results that were close to excellent.

The bank is optimistic about growth in the China onshore bond market, now the second largest in the world, as a platform for AUC growth.

Responses for domestic service providers suggest that breadth of service could be a constraint in growing third-party international business, though such hurdles are unlikely to be permanent.

WEIGHTED AVERAGE SCORES

	HSBC	Standard Chartered	Country Score	Global Score
Percentage of responses	20%	55%		
Account management	5.47	5.76	5.66	5.27
Asset safety	4.73	6.03	5.77	5.61
Asset servicing	5.90	5.97	5.93	5.63
Cash management and FX	4.91	6.08	5.63	5.36
Client service	5.11	6.38	5.84	5.49
Innovation	4.30	6.04	5.46	5.14
Liquidity management	6.40	5.81	6.00	5.55
Pricing	3.58	5.92	5.11	4.86
Regulation and compliance	4.41	6.33	5.77	5.60
Relationship management	4.02	5.89	5.22	5.14
Risk management	5.36	6.12	5.88	5.60
Technology	4.89	6.27	5.81	5.61
Total	4.92	6.05	5.65	5.38

Czech Republic

Preparations for CSDR have driven a number of regulatory, operational and infrastructural developments in the Czech market. These include the roll-out of a full SWIFT communication capability for the local CSD and the reporting of internalised settlement. The planned introduction of a CCP in the market was abandoned in March 2019 following a decision of the Prague Stock Exchange Board, which stressed that preparations for CSDR would not be affected by the decision.

As a whole, the Czech market records scores slightly below the global average in most categories, though it does outperform in the areas of relationship management and account management.

Raiffeisen Bank International (RBI)

RBI's scores have slipped slightly compared to last year, but it remains above average in all service categories at both market and global level. In a market that does not score highly for innovation, RBI shines, with acknowledgment of its role in minimising capital that clients have to allocate to the business and helping clients to improve their own productivity. The bank's highest score at a question level, 6.72, is for asset safety; specifically, confidence that the assets it holds on behalf of clients are sufficiently segregated to ensure title will not be contested.

UniCredit

With a limited response sample, UniCredit tacks close to the market average, beating it in four areas –asset safety, innovation, liquidity management and pricing, and falling behind in other categories. Only technology records a score below 4.00, taking it from satisfactory to weak. That said, the bank's scores year-on-year are definitely moving in the right direction.

Improvements have been registered in all areas bar technology. The biggest increase is for asset servicing, which is up 68% on last year.

Others

Responses were received for a number of other providers, including CSOB, Societe Generale Securities Services and BNP Paribas Securities Services, though none sufficient for a formal rating.

CSOB has created a new role of 'safeguarding officer' to oversee custody services. Aside from compliance monitoring, the new function also handles potential complaints. BNP Paribas Securities Services is seen by at least one European client as "very much a service-focused provider with positive and clear communication." According to this asset manager, the bank "manages the relationship at multiple touch points excellently."

Societe Generale, despite a generally good set of results has piqued one regional client who's comment seems to apply to sub-custodians in general. "We feel the need for more expertise with regard to the recovery of dividend tax on the markets we operate in," they comment. "We feel that the communication between our local custodian with the global custodian and other local custodians is not very efficient and we would appreciate more support and quality of information received in this area."

There would seem to be sufficient providers in the Czech market to encourage healthy competition and hopefully this will be reflected in next year's scores with more providers reaching the necessary response threshold.

WEIGHTED AVERAGE SCORES

	Raiffeisen Bank International	UniCredit Group	Country Score	Global Score
Percentage of responses	23%	17%		
Account management	5.80	5.29	5.42	5.27
Asset safety	5.92	5.64	5.42	5.61
Asset servicing	5.84	5.06	5.62	5.63
Cash management and FX	6.17	5.22	5.31	5.36
Client service	5.71	5.18	5.44	5.49
Innovation	6.01	4.83	4.68	5.14
Liquidity management	6.08	5.48	5.39	5.55
Pricing	5.82	4.47	4.40	4.86
Regulation and compliance	5.82	5.25	5.28	5.60
Relationship management	6.12	4.76	5.27	5.14
Risk management	5.82	4.73	5.36	5.60
Technology	6.00	3.78	5.14	5.61
Total	5.93	4.97	5.21	5.38

Egypt

For a market that has in the past few years faced a number of macro political and economic challenges, it is not surprising that as a whole, the Egyptian service provider universe collectively falls short of global averages by between 5% and 16% depending on the category. This, however, disguises a wide spread of scores for individual providers (See below).

In the past year, the FRA, the local financial regulator, has approved the implementation of short selling. Some five brokerage firms have obtained a short selling license and a market is expected to launch in the very near future.

In addition, the FRA has announced in the local press the imminent launch of the country's first futures exchange, though trading will initially be limited to listed securities only. In the meantime, the government has taken steps towards the establishment of a commodities exchange.

A number of recent regulatory changes have also had an impact on the Egyptian securities services industry. The EGX has now authorised OTC trading of subscription rights in unlisted companies, brokerage companies are now able to receive subscription orders for investment funds, and to boost stock exchange activity, a planned increase in stamp duty from 0.15% to 0.175% has been cancelled.

National Bank of Egypt

The National Bank of Egypt (NBE) handles some 2,500 transactions a month for its 23 international third-party clients. It claims a 6% share of inbound institutional investment servicing. The bank has recorded an unusually wide spread of category scores, ranging from an almost perfect 6.94 for asset servicing to a frankly weak 3.50 for technology, pricing and cash man-

agement. Scores that have risen since last year include account management, asset safety and liquidity management. Client comments are enthusiastic. "We receive an excellent service from NBE; they are one of the best custodians we have," says one client, adding that, "We have a great relationship and looking forward to a long future with the NBE."

QNB Alahli

Processing some 95,000 trades a month and counting nine global custodians among its clients, QNB Alahli exceeds both market and global scores in all service categories. Its technology comes in for client praise with one bank noting that "Cyber security is one of QNB's major IT priorities." When it comes to relationship management, one European bank client lauds its "excellent knowledge about the Egyptian market." Given the sometimes-volatile political climate, one client finds it comforting that it is "well notified by QNB about any market news or new regulation... Our relationship manager is available for more information or clarification with good support." Nevertheless, this provider should not feel able to rest on its laurels. As one large bank client notes, "Competitors are very aggressive in the Egyptian market."

Other

Other providers in this market include Citi (mentioned by one respondent as a credible alternative to their existing provider), HSBC and Standard Chartered, all of which will need a few more responses next year to receive an individual write up.

WEIGHTED AVERAGE SCORES

	National Bank of Egypt	QNB Alahli	Country Score	Global Score
Percentage of responses	25%	25%		
Account management	5.60	5.66	4.87	5.27
Asset safety	6.24	6.32	5.10	5.61
Asset servicing	6.94	5.88	5.28	5.63
Cash management and FX	3.50	5.92	4.58	5.36
Client service	5.13	5.99	5.19	5.49
Innovation	n/a	5.95	4.36	5.14
Liquidity management	4.55	5.95	4.82	5.55
Pricing	3.50	6.07	4.20	4.86
Regulation and compliance	4.55	6.24	5.28	5.60
Relationship management	3.76	6.09	4.54	5.14
Risk management	4.55	5.70	4.94	5.60
Technology	3.50	5.65	5.20	5.61
Total	4.71	5.95	4.88	5.38

Greece

Following the election of a new government in Greece, the removal of capital controls has given a boost to the Greek securities market, which, at the time of going to press, looks like ending the year as one of the world's top performers.

The Athex CSD has applied to Hellenic Capital Market Commission (HCMC) for authorisation under CSDR and this process is expected to be completed in early 2020. As one of the new requirements, ATHEXCSD participants will need to offer their own clients the choice between omnibus client segregation and individual client segregation.

BNP Paribas Securities Services

Since Greek sovereign debt ratings first dipped below investment grade, BNP Paribas is one of two sub-custodians in a position to win international third-party business. "In the Greek market, there are no official market share statistics," says the bank, which cites HELEX equity turnover numbers as evidence that, "BNP Paribas is the second largest international provider of activity."

BNP Paribas' scores have in most categories drifted downwards with the exception of account management, where the bank remains above both market and global averages, and asset safety, which has improved by an impressive 32%.

Client comments are sparse. One notes that "the RM is always very helpful and receptive to any queries. Good technical knowledge also."

Citi

As the second main beneficiary of the fallout from sovereign downgrades, Citi will be disappointed to see its results continue a downward trajectory, albeit on a small response base. A third

of categories are now rated weak (3:00-3.99), the most concerning being account management. One large client bemoans the lack of "proper matching status shown in MT548s," but apart from that, no other comments are forthcoming.

Eurobank

Eurobank's stellar performance in the 2018 survey is a hard act to follow. Nevertheless, the bank has largely succeeded with 11 out of the twelve categories recording scores above 6:00 (7:00 being the highest possible). In three areas – relationship management, risk management and innovation – Eurobank managed a slight increase. While no client comments were forthcoming, some idea of attitudes can be gleaned from scores at an individual question level. In an important aspect of asset safety, ensuring that clients always know where and how their collateral/margin is held, the bank scores a perfect 7:00 as it does for helping clients optimise their collateral holdings.

Piraeus Bank Securities Services

After an uncharacteristic dip in scores last year, Piraeus is once again back at the top of its game, judging by scores from its 2019 sample of institutional clients. This is borne out by a number of client comments. "Piraeus is the standard for small is beautiful – not the largest provider but very committed and agile : you ask it, they make it happen. Congratulations!" says one large European client. "Proactive attitude, exceptional client treatment 24/7," says another. All category scores are well above 6:00 and exceed both market and global averages in all areas. Almost 40% of individual questions are awarded the highest possible score of 7:00.

WEIGHTED AVERAGE SCORES

	BNP Paribas Securities Services	Citi	Eurobank	Piraeus Bank Securities Services	Country Score	Global Score
Percentage of responses	32%	8%	31%	17%		
Account management	5.44	3.53	6.33	6.39	5.25	5.27
Asset safety	5.60	4.88	6.61	6.40	5.67	5.61
Asset servicing	5.26	4.65	6.41	6.80	5.67	5.63
Cash management and FX	4.82	3.48	6.38	6.97	5.40	5.36
Client service	5.33	3.96	6.15	6.42	5.22	5.49
Innovation	4.80	3.45	6.26	6.92	5.01	5.14
Liquidity management	4.84	4.48	6.12	6.76	5.08	5.55
Pricing	4.22	3.90	5.99	6.80	4.78	4.86
Regulation and compliance	5.23	4.42	6.67	6.48	5.44	5.60
Relationship management	5.13	4.15	6.30	6.08	5.23	5.14
Risk management	5.77	4.40	6.56	6.85	5.62	5.60
Technology	4.99	5.01	6.39	6.93	5.46	5.61
Total	5.12	4.19	6.35	6.65	5.31	5.38

Hungary

In terms of market reform, the focus in Hungary for much of the past year has been on regulatory changes and infrastructural developments. The decree which transposes the EU Directive on Shareholder Rights (SRD2) into national law was published in the Hungarian Official Gazette on 9 July 2019. The implementation regulation with regards to identification of shareholders, information on corporate actions and confirmation of votes, and disclosure on costs will be come into effect in September 2020. Over the past year, the local CSD (KELER) has revised and redesigned its Strategic Modernisation Program. Rather than a wholesale system replacement, it now involves updating existing systems with the involvement of new suppliers. Accordingly, it has been renamed the Service Development Program. The main objective of the project is to achieve T2S harmonisation and to implement a modernised IT Architecture that will be compliant with upcoming regulatory requirements, such as CSDR and SRD 2. The technical specifications of the Service Development Program are expected to be published in Q2 2020 and the go-live is planned for March 2021.

The Hungarian market as a whole scores close to but below the global average. The biggest divergence is in the area of pricing, where Hungary records an aggregate score of 4.22, compared to a global average of 4.86. While neither reflects a great enthusiasm for current fee levels, it appears that Hungary is considered relatively expensive from a securities services perspective.

BNP Paribas Securities Services

According to its own estimation, BNP Paribas has an 18% market share of OTC settlements and 10-12% of Assets under Custody for foreign investors in the Hungarian market. The bank's results, down on last year in most categories, range widely from

a weak 3.89 for pricing to an impressive 6.44 for asset safety. In this regard, it exceeds the global average as it does in the area of technology.

Citi

With rises in half the categories and declines in the other half, Citi has maintained its average performance achieved in 2018. It remains below the market average in most categories with the exception of liquidity management with an impressive 6.10, representing an almost 30% increase over 2018, and technology.

Raiffeisen Bank International (RBI)

Albeit from a restricted sample, RBI has recorded a very creditable set of results, exceeding both global and market averages in all service areas and either just below or just above last year's impressive results. Unusually, the bank breaks away from the pack in the area of pricing, where it is seen to be responsive to opportunities to pass on cost savings resulting from market infrastructure reforms. Its efforts to help clients minimise the capital they have to allocate to the business is also appreciated.

Other

Responses were also received for Deutsche Bank, UniCredit and CIB Bank, the Hungarian subsidiary of Intesa Sanpaolo Group. While these results were, on the whole, more than respectable, they were too few in each case for an individual write up. UniCredit, in particular, seems to be heading in the right direction.

WEIGHTED AVERAGE SCORES

	BNP Paribas Securities Services	Citi	Raiffeisen Bank International	Country Score	Global Score
Percentage of responses	38%	19%	19%		
Account management	5.20	4.59	5.81	5.13	5.27
Asset safety	6.44	5.28	5.97	5.66	5.61
Asset servicing	5.33	5.26	5.78	5.39	5.63
Cash management and FX	5.16	4.01	6.17	4.84	5.36
Client service	5.03	4.94	5.68	5.14	5.49
Innovation	4.61	3.89	5.95	4.59	5.14
Liquidity management	4.54	6.10	6.08	5.35	5.55
Pricing	3.89	3.78	5.79	4.22	4.86
Regulation and compliance	4.70	5.01	6.05	5.18	5.60
Relationship management	4.95	4.93	6.11	5.18	5.14
Risk management	6.13	4.91	5.84	5.39	5.60
Technology	4.12	5.16	6.05	5.05	5.61
Total	5.01	4.82	5.94	5.08	5.38

India

The Indian sub-custody market at first glance appears to be relatively crowded with six banks qualifying for an individual write up this year. It is, however, a huge market with significant retail participation.

BNP Paribas Securities Services

While BNP Paribas regards itself as a relatively late entrant to the market, it has built up a client base of approximately 225 foreign clients and 15 domestic clients. Its scores this year, based off a relatively small response sample, are mixed, with notable improvements in four service areas, including a welcome jump for relationship management from 'satisfactory' to the 'very good' territory.

Deutsche Bank

One specialist fund manager suggests that "Deutsche Bank's partnership has been indispensable...We have used other providers and the level of service from DB is exceptional". The bank exceeds all global averages and outperforms the market in all areas apart from client service, though its score in this regard is a more than respectable 5.97.

Edelweiss Custodial Services Limited

Edelweiss set itself a hard task last year by recording a set of near perfect scores in the upper sixes, making a repeat performance challenging. For the most part, however, it has managed it. Three category scores – client service, regulation and compliance and pricing – even show measurable increases. The first of these is singled out by one fund client: "The client service at Edelweiss deserves a special mention.... Their service is superior to all other organisations we have dealt with."

ICICI Bank Limited

ICICI Bank has received a significantly higher response rate than last year and it has paid off. Even in a high scoring market like India, it has managed to exceed both market and global averages in all areas. In the past year, ICICI has introduced its Web Custody online self-service custody portal, which comes in for praise from one hedge fund manager. "The use of technology is very important in a service industry and ICICI bank leads the market on that front," he suggests.

Kotak Mahindra Bank

Kotak Mahindra is back with a bang after last year's fall in responses left it without an individual assessment. Its results for all service categories are above market and global levels with the exception of liquidity management, where its score of 6.13 would be the envy of peers in other markets. "We definitely would like to recommend this service provider in the market, and explore more business," says one large European asset manager.

Standard Chartered

Standard Chartered records a more than respectable set of scores. Given the Indian market context, these exceed all global averages and are close to, but just below market averages, the exceptions being relationship management, pricing and technology, where it outperforms.

Other

A small number of responses were also recorded for HSBC, Societe Generale, JP Morgan, DBS and Citi.

WEIGHTED AVERAGE SCORES

	BNP Paribas Securities Services	Deutsche Bank	Edelweiss	ICICI Bank Limited	Kotak Mahindra Bank	Standard Chartered	Country Score	Global Score
Percentage of responses	4%	8%	40%	24%	14%	11%		
Account management	6.29	6.61	6.51	6.76	6.25	5.68	5.85	5.27
Asset safety	5.93	6.30	6.36	6.86	6.58	6.08	6.19	5.61
Asset servicing	5.63	6.27	6.58	6.61	6.52	5.86	6.11	5.63
Cash management and FX	4.98	6.35	6.42	6.59	6.11	5.92	6.01	5.36
Client service	6.56	5.97	6.82	6.71	6.41	6.29	6.34	5.49
Innovation	6.22	6.36	6.27	6.38	6.39	5.86	6.00	5.14
Liquidity management	5.76	6.46	6.28	6.63	6.13	5.89	6.26	5.55
Pricing	4.80	6.51	6.59	6.49	6.20	5.99	5.91	4.86
Regulation and compliance	6.27	6.73	6.52	6.85	6.61	6.37	6.31	5.60
Relationship management	6.20	6.21	6.48	6.64	6.43	6.03	6.10	5.14
Risk management	5.82	6.80	6.19	6.66	6.30	5.94	6.02	5.60
Technology	4.80	6.59	6.04	6.54	6.24	6.28	6.23	5.61
Total	5.77	6.43	6.42	6.64	6.35	6.02	6.10	5.38

Indonesia

The Indonesia Stock Exchange has had something of a roller-coaster year though it appears to be ending the year on a very positive note. Sensing an opportunity, at least one regional giant has expressed an intension to add securities to its commercial banking operations in the country. The Jakarta Post reported in late November that, “Indonesia has become the world’s seventh-largest economy on the current Purchasing Power Parity (PPP) basis and one of its primary growth engines, powered by a young and innovative workforce — the world’s fourth-largest — and an inward flows of foreign direct investment.”

Among the emerging markets covered in this survey, Indonesia performs relatively well with all category scores in the ‘good’ (5.00-5.99) and ‘very good’ (6.00-6.99) ranges. Only three categories – asset servicing, client service and liquidity management – are below the global average.

Deutsche Bank

Although Deutsche Bank has recorded category scores below the market average in most categories, it has reversed its decline of last year in two-thirds of cases. It also exceeds global and market averages in three categories: cash management and FX, liquidity management, and pricing. While relationship management and client service are only rated ‘satisfactory’ on average, one investment management client describes the bank’s client service and fund admin teams as outstanding. “They always deliver speedy and accurate reports of our products.”

HSBC

HSBC’s client service is described by one global custodian as “perfect”. Another peer says, “The global relationship management team is a pleasure to work with as well as the onboarding team.” Local scores, however, leave room for improvement. Relationship management has slipped from ‘satisfactory’ into ‘weak’

range, though there do not appear to be any specific complaints identified by respondents. The advantages of size are, however, evident in the bank’s scores for risk management and liquidity management, where it beats the market and global averages – which it also does for regulation and compliance.

Standard Chartered

Standard Chartered has had a good year in terms of its survey results for the Indonesian market. Not only does it exceed all global category averages, but it repeats the feat at a market level with the exception of its score for risk management, which nevertheless remains above 6.00. The bank has also improved on its performance in 2018 in all categories by between 10% and 47%, the latter being in the area of regulation and compliance. What client criticisms there are tended to be aimed at either market practice constraints or network-related limitations rather than the bank’s Indonesian sub-custody operations.

Other

As befits a market the size of Indonesia, responses were received for a number of other service providers, though in each case, these were insufficient in number to undertake a discrete analysis of scores. Among these providers, who help to ensure a competitive service environment, are Citi, BNP Paribas, DBS and Maybank. Citi, in particular, has a strong set of results, which it would be good to see confirmed by a broader response set.

WEIGHTED AVERAGE SCORES

	Deutsche Bank	HSBC	Standard Chartered	Country Score	Global Score
Percentage of responses	18%	18%	32%		
Account management	4.70	4.30	6.09	5.46	5.27
Asset safety	4.93	5.60	6.11	6.07	5.61
Asset servicing	4.24	5.31	6.18	5.57	5.63
Cash management and FX	5.95	5.25	6.19	5.80	5.36
Client service	4.97	4.50	6.05	5.21	5.49
Innovation	5.02	4.72	5.88	5.26	5.14
Liquidity management	6.30	5.60	6.11	5.41	5.55
Pricing	5.84	4.96	6.01	5.30	4.86
Regulation and compliance	4.18	5.97	6.27	5.85	5.60
Relationship management	4.71	3.99	6.03	5.25	5.14
Risk management	4.43	6.32	6.11	6.15	5.60
Technology	5.23	5.38	6.42	5.83	5.61
Total	5.04	5.16	6.12	5.55	5.38

Malaysia

Bursa Malaysia moved to a T+2 settlement cycle on 29 April, 2019. The migration from T+3 to T+2 is part of the exchange's ongoing efforts to improve operational efficiency and reduce systemic risk. The shorter settlement cycle aligns the clearing and settlement processes of the Malaysian capital market with those of major global exchanges in the US, Europe and Asia-Pacific, which are already operating a T+2 settlement cycle.

From a post-trade perspective, Malaysia is seen as a relatively efficient market, attracting composite scores above the average in all categories apart from client service and liquidity management.

Deutsche Bank

The small size of Deutsche Bank's response sample for Malaysia makes any conclusions about its scores necessarily tentative. Nevertheless, they will be pleasing for the bank overall with increases over 2018 in half of the categories and, apart from technology, above both global and market levels. Service category results range from 5.49 at the lower end for cash management and FX and 6.40 for risk management at the top of the scale. Liquidity management, client service and innovation are all seen as well ahead of the pack.

HSBC

HSBC's results at a service category level are somewhat below last year's. "Need to be more helpful regarding issues with cash management and FX," notes one European custodian client, and this view is reflected in HSBC's score in this area of 4.18, creeping towards the lower end of satisfactory after a 20% fall since last year.

Although all scores fall short of market and global averages,

there are some bright spots. The client service score is up by 15%, taking it from 'satisfactory' to 'good', while asset safety has moved up from 'weak' to 'satisfactory'. Drilling down to individual questions, there are also areas where HSBC shines. These include the stability of its technology platform, performance to SLAs and KPIs, settlement efficiency and a willingness to help clients optimise their collateral holdings.

Standard Chartered

Standard Chartered will be pleased to have recorded a return to form this year. All categories have received scores above 6.00 apart from relationship management which comes close. All results at a category level are well above both market and global levels. Individual question scores suggest that the bank is seen as more amenable than its peers to modifying its pricing structures to reflect changes in market costs. Standard Chartered is also seen as a good source of reliable information on the impact of regulatory changes. "They update us as soon as they receive any information/notice," says one client. "Relationship managers and customer services support team provide extensive knowledge to us," says another.

Other

Maybank, BNP Paribas, DBS and Citi all receive responses though with insufficient detail to allow for a comprehensive analysis. In the case of Maybank, results show promise but only cover a minority of categories. Both DBS and Citi attract high category scores, but a lack of responses leaves them short of the requirements for a full write up.

WEIGHTED AVERAGE SCORES

	Deutsche Bank	HSBC	Standard Chartered	Country Score	Global Score
Percentage of responses	13%	30%	35%		
Account management	5.95	5.05	6.13	5.63	5.27
Asset safety	6.48	4.39	6.16	5.79	5.61
Asset servicing	5.87	5.61	6.25	5.85	5.63
Cash management and FX	5.49	4.18	6.25	5.47	5.36
Client service	6.26	5.15	6.02	5.42	5.49
Innovation	6.30	4.43	6.09	5.41	5.14
Liquidity management	6.20	4.71	6.03	5.18	5.55
Pricing	5.78	3.98	6.09	5.00	4.86
Regulation and compliance	6.34	4.60	6.38	5.67	5.60
Relationship management	5.53	4.42	5.95	5.23	5.14
Risk management	6.40	5.35	6.04	5.90	5.60
Technology	5.72	5.22	6.36	5.76	5.61
Total	6.03	4.76	6.15	5.52	5.38

Mexico

Judging by the responses to this year's survey, the Mexican market is not seen as one of the most efficient on the GC emerging markets universe. Category scores are below the global average by between 6% and 23%, cash management and FX being responsible for the latter. Two banks, Citi and Santander, qualify for rating this year, though responses were recorded for five banks in total.

Citi

Citi records a wider than average spread of category scores in Mexico, suggesting a degree of service inconsistency with some bright spots. The bad news for the bank comes in the shape of weak scores for relationship management, down to 3.47 from a 'satisfactory' 4.63 in 2018, and for cash management and FX with an even more significant fall from 5.16 in 2018 to 3.24 this year. With regard to relationship management, one client makes the somewhat damning comment that, "It is unclear who is our local relationship manager."

Offsetting these disappointing results somewhat are an impressive 6.07 for liquidity management, up sharply from last year's score of 4.56, and a solid 5.14 for technology, up from 4.70.

Exploring the bank's results at a more granular level, there are clearly areas where the bank can pat itself on the back and others where there is remedial work to be done. In the first group, are most aspects of liquidity management, where the bank is seen to provide dynamic and actionable information to minimise the liquidity that clients need to maintain in the market. Timely explanations of the impact of new regulations on clients' businesses are also appreciated as is timely treatment of income entitlements. At the other end of the scale, the biggest complaint

seems to be a lack of transparency in FX costs plus a rather inflexible approach to pricing. On a positive note, these are relatively easy aspects of service to rectify as they do not reflect operational inconsistencies.

Santander Securities Services

Having seen its scores rise year-on-year in three quarters of service categories, Santander is in the position of exceeding all global averages – no mean feat considering the collective impression of the market as whole (see above). All scores fall comfortably in the good range (5.00-5.99). At a more granular level, the bank records several question scores above 6.00, the threshold for 'very good'. Topping the list at an almost perfect 6.8 is client confidence that the assets held by Santander on their behalf in this market are sufficiently segregated to ensure title will not be contested in a crisis. Operational efficiencies in proxy voting and tax repayments are also highly appreciated. Looking for possible areas with room for improvement, these might include a greater responsiveness in passing on cost savings from market infrastructure efficiencies and a more frequent engagement with clients on their future business needs.

Other

A few responses were also received for Banamex, HSBC, and BNP Paribas. It is unclear, though, whether the latter were intended to reflect global or local provision.

WEIGHTED AVERAGE SCORES

	Citi	Santander Securities Services	Country Score	Global Score
Percentage of responses	31%	44%		
Account management	4.35	5.94	4.64	5.27
Asset safety	5.00	5.93	5.26	5.61
Asset servicing	5.15	5.95	5.07	5.63
Cash management and FX	3.24	5.83	4.13	5.36
Client service	4.89	5.74	4.63	5.49
Innovation	3.65	5.50	4.16	5.14
Liquidity management	6.07	5.73	4.96	5.55
Pricing	4.01	5.31	4.00	4.86
Regulation and compliance	5.08	5.73	4.94	5.60
Relationship management	3.47	5.18	4.01	5.14
Risk management	4.82	5.67	5.05	5.60
Technology	5.14	5.90	4.74	5.61
Total	4.58	5.70	4.58	5.38

Philippines

The Philippine Stock Exchange (PSE), created through a merger of the Manila and Makati exchanges, is the only stock exchange in the Philippines and one of the oldest in Asia, having been in continuous operation since the establishment of the Manila Stock Exchange in 1927.

In an effort to encourage the integrity of the market, the PSE has for the past five years, conferred the Bell Awards to PLCs and trading participants that demonstrated excellence in corporate governance. Recently the exchange announced that for its 2020 Awards, it will use comprehensive standards of Environmental, Social and Governance (ESG) as the central framework, given the global push for ESG metrics.

"The shift in focus is also a concrete step for us to advocate sustainability among our stakeholders, explained president and CEO of the PSE, Ramon Monzon. "This is part of our commitment to the Sustainable Stock Exchanges Initiative when we became a member of this global organisation this year."

In another significant reform, the Exchange completed a pilot run in August for PSE EASy, a local small investor subscription platform for initial public offerings. The PSE has also submitted to the Securities and Exchange Commission the comments of its stakeholders on the proposed amendments to the PSE Listing Rules for Real Estate Investment Trust. Increasing retail engagement with equity investing in this way should help to further deepen the market.

As the results of the GC emerging markets survey indicate, the Philippine market as a whole is seen as relatively efficient in most areas, exceeding global averages in half the service categories and coming very close in the remainder.

Responses were received for six providers of which HSBC and

Standard Chartered received a sufficient number for individual consideration.

HSBC

Compared to 2018, HSBC's results in the Philippines are up in a few categories and down in a few more. A 41% increase for liquidity management takes the bank from 'satisfactory' to very good, while a 23% drop in the score for cash management and FX takes that category down to the lower end of satisfactory. All in all, with half of its category scores in the 'satisfactory' range, HSBC need not be too concerned about client retention, but there is plenty of room for improvement in client perception. On a positive note, HSBC scores very well for most aspects of risk management, including its business continuity and disaster recovery plans, while in the more prosaic but still vital area of asset servicing, it is seen always to settle transactions in a timely fashion.

Standard Chartered

Standard Chartered in Manila has recorded a stellar group of results significantly up on 2018. Even relationship management, the bank's lowest scoring service category achieves a more than respectable 5.98, up from 5.36 last year. All other scores are above 6.00. As a result, the custodian comfortably clears both global and local benchmarks. At an individual question level, the bank scores 6.76 for providing its clients with the confidence that the assets it holds on their behalf are sufficiently segregated to remove any potential doubt about title.

WEIGHTED AVERAGE SCORES

	HSBC	Standard Chartered	Country Score	Global Score
Percentage of responses	28%	39%		
Account management	4.84	6.00	5.34	5.27
Asset safety	4.26	6.11	5.58	5.61
Asset servicing	5.48	6.12	5.60	5.63
Cash management and FX	4.12	6.11	5.31	5.36
Client service	5.17	6.25	5.40	5.49
Innovation	4.23	6.02	5.16	5.14
Liquidity management	6.36	6.02	5.56	5.55
Pricing	4.13	6.03	4.94	4.86
Regulation and compliance	4.56	6.35	5.57	5.60
Relationship management	4.37	5.98	5.14	5.14
Risk management	5.35	6.09	5.85	5.60
Technology	5.47	6.38	5.76	5.61
Total	4.86	6.12	5.41	5.38

Poland

In late autumn 2018, the Polish Parliament approved a number of material changes in Polish tax law that affected, inter alia, the securities business in Poland, and in particular relief at source availability for investors. Local custodians have been seeking clarity on the regulations, in light of the severe penalties that can be imposed for breaching them. This has, in the meantime, constrained the ability of Polish custodians to offer relief at source to all clients.

Despite a very competitive sub-custody landscape, the market as a whole is not regarded as one of the most efficient in the emerging markets universe – from which it may be promoted in the year ahead. Only relationship management and asset safety attract collective scores above the global average, though no category is seen as poorly handled.

BNP Paribas Securities Services

BNP Paribas received more responses than any other provider in the market this year. It continues to record results above the market average for four categories – account management, risk management, asset safety and cash management and FX – but otherwise its scores are not as flattering as they were in 2018. Although the score for asset safety has increased by 6% to a commendable 6.34, other category scores are down by between 4% and 35%. Despite that, client comments are overwhelmingly favourable. “Excellent work! Thank you!” enthuses one European bank client. “Our relationship manager is always very helpful and receptive to any queries. Good technical knowledge also,” says an asset manager. With regard to client service, another observes that, “Staff are always helpful and pro-active in getting queries resolved and provide an excellent client service.”

Bank Pekao

One of the largest indigenous custody providers, Bank Pekao was founded in 1929 and is now part of the PZU Group. It counts seven global custodians among its foreign client base and estimates its share of international third-party business at 25%. At the beginning of 2019, the bank established a Financial Institutions and Custody Department to consolidate full relationship coverage for all products and services for financial institutions in one business unit.

To enhance asset safety, Bank Pekao offers clients the option of full asset segregation (per underlying investor) at CSD level. Possibly as a result of this, its score for asset safety has risen substantially from a weak 3.25 last year, to a good 5.47 this year. Surprisingly, this is also the only category where Pekao falls slightly short of the market benchmark, which it comfortably clears in the other 10 service categories for which it receives a rating.

Citi

With seven category scores merely in ‘satisfactory’ territory, Citi disappoints this year, given its strong and committed presence in the Polish market. While its best score is for asset servicing at 5.31, Citi remains above the market average only in technology.

Other

Several other providers, notably Deutsche Bank, ING Bank Śląski, Raiffeisen Bank International and UniCredit, receive responses for their Polish operations. All of these record a number of impressive category scores, but their respective response pools are too small to provide any confident analytical assessments.

WEIGHTED AVERAGE SCORES

	BNP Paribas Securities Services	Bank Pekao	Citi	Country Score	Global Score
Percentage of responses	41%	15%	15%		
Account management	5.43	6.05	4.44	5.13	5.27
Asset safety	6.34	5.47	5.01	5.63	5.61
Asset servicing	5.43	5.83	5.31	5.44	5.63
Cash management and FX	5.18	5.60	4.43	4.92	5.36
Client service	5.16	6.15	5.20	5.25	5.49
Innovation	4.78	n/a	4.42	4.78	5.14
Liquidity management	4.58	n/a	4.46	4.85	5.55
Pricing	4.24	6.23	4.25	4.45	4.86
Regulation and compliance	5.03	5.90	4.78	5.14	5.60
Relationship management	5.10	5.49	5.01	5.23	5.14
Risk management	6.17	5.48	4.70	5.27	5.60
Technology	4.37	5.25	5.10	5.06	5.61
Total	5.15	5.75	4.76	5.11	5.38

Qatar

The Qatari market, though small in size, is resource-rich and well served in terms of market infrastructure. Collectively it is seen as reasonably efficient in post-trade services, with category scores all in the 'good' range (5.00-5.99) with the exception of liquidity management (6.19) and, at the lower end, pricing (4.95). The latter is nevertheless above the global average score for pricing, which tends to be found at the bottom of many investors' lists when it comes to client perception.

While responses were received for four providers, including QNB Alahli and Deutsche Bank, only HSBC and Standard Chartered recorded sufficient, for a write up.

HSBC

HSBC has acquitted itself relatively well in terms of overall client perception this year, exceeding the market benchmarks in seven categories and undershooting it in five, though not by much. At a global level, this is almost reversed with seven categories below global averages, four above and one, pricing, bang on. The bank will want to see some improvement next year in three areas, which, whatever their relative positions, have recorded results in merely 'satisfactory' range. These are account management, pricing and relationship management. Year-on-year, however, the trend is positive with improvement in two-thirds of category scores. Most notable in this regard are liquidity management, up over 30% from 4.71 to 6.18, and, importantly, asset safety, which has recorded an increase of 19% from a low satisfactory (4.26) to a more comfortable 5.07.

Though no comments are forthcoming from respondents, a more granular examination of responses yields some idea of

client sentiment. The bank scores particularly highly for its contractual tax refund services and its full disclosure of costs in the cash markets. Deadlines for proxy voting are also seen as more than reasonable. Account opening and closing procedures remain a pain point, however, scoring a frankly weak 3.98.

Standard Chartered

Standard Chartered has followed last year's results with another set of solid scores, reflecting improvements in all but two categories. The bank's scores range from 5.01 for client service (the bank's biggest faller at a category level) to a stellar 6.74 for account management, up 9% over last year.

Unwelcome will be the news that the other fall in category score is for relationship management, which at 5.28 remains above both market and global averages, but on a 12% drop. Taken together, these small declines suggest that improvements in the bank's operational efficiency may be coming at the expense of approachability and responsiveness. Overall impressions are, however, strongly positive, with three-quarters of category scores in the 'very good' range (6.00-6.99).

At a question level, Standard Chartered receives a clutch of perfect sevens, the highest possible score. These include most aspects of liquidity management, such as helping clients to optimise their collateral, to asset safety matters, such as confidence in asset segregation measures and detailed and timely information on collateral tracking. At the bottom of the scale, performance to SLAs and KPIs is seen to be somewhat inconsistent; overall, though, a creditable set of results.

WEIGHTED AVERAGE SCORES

	HSBC	Standard Chartered	Country Score	Global Score
Percentage of responses	50%	30%		
Account management	4.82	6.74	5.01	5.27
Asset safety	5.07	6.65	5.04	5.61
Asset servicing	5.83	6.20	5.59	5.63
Cash management and FX	5.53	6.29	5.29	5.36
Client service	5.72	5.01	5.61	5.49
Innovation	5.01	6.09	5.09	5.14
Liquidity management	6.18	6.33	6.19	5.55
Pricing	4.86	6.14	4.95	4.86
Regulation and compliance	5.58	5.59	5.29	5.60
Relationship management	4.49	5.28	4.73	5.14
Risk management	5.49	6.45	5.38	5.60
Technology	5.31	6.80	5.27	5.61
Total	5.32	6.13	5.24	5.38

Russia

The huge Russian market is well served both at an infrastructure level, with an innovative and forward-looking CSD, and a multiplicity of competent post-trade service providers. This year, responses were recorded for 10 custody providers, of which four receive independent analysis.

Taken collectively, these providers outperform the global average scores in nine of the 12 categories, the laggards being account management, asset safety and risk management.

Sberbank

Sberbank is one of the standout performers this year, exceeding both market and global averages in all areas. With a foreign client base comprising primarily asset managers, it numbers a few global custodians and other commercial banks among its customers and acts as a sub-custodian for over 40 depositary receipt programs of J.P. Morgan, Citibank and BNY.

The bank has seen increased demand from foreign investors through an agent scheme for access to accounts at the CSD with the simultaneous provision of access to liquidity for settlements in roubles at Sberbank.

The bank's category scores fall in a relatively narrow range from a comfortably 'good' 5.54 for account management to a particularly strong 6.77 for technology. With regard to the former, one client points out that, some documentation depends on the regulatory environment and the bank itself has limited room to manoeuvre. At 6.46, asset servicing scores particularly highly. This may partly reflect Sberbank's use of SWIFT message standards, including ISO 20022 for corporate actions.

One very large European-based client notes that, "Sberbank offered us a full tailor-made service, including SWIFT development at their end, to support the full scope of services requested

by us. In addition, Sberbank is always supportive in our initiatives aiming to enhance our regulatory framework with them." The same client expresses appreciation for "the high level of commitment and dedication from the ops staff."

Societe Generale Securities Services

"The client service provided by the staff from the custody department is outstanding. The employees react quickly to inquiries and help with different issues," says one broker client of SG's Russian operation. Another compliments the bank's technology, which it describes as "stable and convenient...and... better than that of any other providers we've worked with in this market." Its category scores exceed all global benchmarks and nearly all Russian market averages with the exception of pricing. Its most impressive question scores are for aspects of asset safety, though it also receives top marks for innovation.

UniCredit

UniCredit has seen its results improve overall since 2018 with only two category scores still lingering in 'satisfactory' territory (account management and relationship management) and the rest rated 'good' (5.00-5.99). It outperforms the market average for regulation and compliance as well as the global averages for that, innovation, liquidity management and pricing.

VTB

VTB has once again recorded an excellent set of category scores with two – client service and cash management and FX – at the highest possible levels. Its lowest score, a strong 5.87, is for regulation and compliance.

WEIGHTED AVERAGE SCORES

	Sberbank of Russia	Societe Generale Securities Services	UniCredit Group	VTB Bank	Country Score	Global Score
Percentage of responses	19%	22%	19%	19%		
Account management	5.54	5.52	4.74	6.32	5.04	5.27
Asset safety	5.83	6.38	5.26	5.99	5.55	5.61
Asset servicing	6.46	6.55	5.52	6.29	6.18	5.63
Cash management and FX	6.07	n/a	5.33	7.00	5.58	5.36
Client service	6.43	6.70	5.01	7.00	5.98	5.49
Innovation	6.17	6.75	5.28	6.65	5.85	5.14
Liquidity management	6.53	7.00	5.61	n/a	5.85	5.55
Pricing	6.18	5.57	5.54	6.44	5.66	4.86
Regulation and compliance	6.09	6.20	5.91	5.87	5.87	5.60
Relationship management	6.30	6.70	4.87	5.94	5.66	5.14
Risk management	5.95	6.70	5.20	5.95	5.58	5.60
Technology	6.77	6.30	5.56	6.77	5.93	5.61
Total	6.19	6.40	5.32	6.38	5.75	5.38

Taiwan

The Taiwan Stock Exchange (TWSE) was established in 1961 and began operating as a stock exchange on 9 February 1962. It is regulated by the Financial Supervisory Commission. The TWSE reached a 29-year high in mid-December with Nasdaq, suggesting at the time of going to press that the Taiwanese market was overdue for profit taking.

The market as a whole is regarded as efficient, surpassing global service category averages by between 2% and 15%. Collectively, provider scores are comfortably in the mid- to upper fives with three, liquidity management, technology and regulation and compliance above 6.00.

Responses were received for four banks, of which two, HSBC and Standard Chartered, have recorded sufficient data for individual metrics to be published.

HSBC

HSBC's presence in Taiwan dates back to 1885. A full-service branch was established in Taipei in 1984 and, having obtained approval to set up a local subsidiary in Taiwan - HSBC Bank (Taiwan) Limited - it began operating through the locally incorporated entity in May 2010.

Its scores this year compared to last are a wide mixture of improvements and declines. The real Achilles' heel from 2018 was regulation and compliance with a very weak 2.33. This has now jumped to a more than acceptable 5.6, which puts it at exactly the global average. Its score for liquidity management has also risen by almost 50% and, at a perfect 7.00, now surpasses both market and global benchmarks. Moving in the wrong direction is account management, down 18% to a weak 3.8, and cash management and FX, down 27% to a similarly weak 3.5. Scores in other areas are good, if not spectacular.

Standard Chartered

The bank has recorded an impressive set of scores this year, up in all areas from 2018 by 5% to 49%. Only two categories are now below 6.00 and then only just: liquidity management (5.99) and risk management (5.97). All categories surpass the global benchmarks and all the local market benchmarks bar liquidity management. Both client service and relationship management come in for specific praise from respondents. "Professional, reasonable response time," says one regional client, while one European bank comments, "Relationship managers and customer services support team provide extensive knowledge."

At a question level, the bank's best results are for aspects of asset safety, notably that assets are sufficiently segregated to ensure that title is never disputed, and for Standard Chartered's explanation to clients of how new regulations will affect them specifically.

Other

Both Citi and Deutsche Bank were rated in 2018. Although short on responses this year, Deutsche Bank claims 15% market share of international third-party custody business in Taiwan, for which it processes some 47,000 transactions monthly. The scores that it does receive suggest its service is adequate, though not sparkling.

The bank itself reports a number of improvements to its service. Among these are customised reporting for FX forward trading and cash projections and automation of the rights issue reconciliation process.

Only one response was received for Citi, albeit a very complimentary one.

WEIGHTED AVERAGE SCORES

	HSBC	Standard Chartered	Country Score	Global Score
Percentage of responses	14%	67%		
Account management	3.80	6.00	5.42	5.27
Asset safety	4.90	6.06	5.86	5.61
Asset servicing	5.53	6.13	5.88	5.63
Cash management and FX	3.50	6.05	5.50	5.36
Client service	5.59	6.18	5.91	5.49
Innovation	4.34	6.17	5.75	5.14
Liquidity management	7.00	5.99	6.20	5.55
Pricing	3.76	6.09	5.60	4.86
Regulation and compliance	5.60	6.39	6.18	5.60
Relationship management	4.34	6.07	5.68	5.14
Risk management	4.67	5.97	5.71	5.60
Technology	5.25	6.32	6.20	5.61
Total	4.86	6.12	5.80	5.38

Thailand

The Stock Exchange of Thailand successfully initiated a T+2 settlement cycle in March 2018.

This year, in an effort to prevent speculation in the Thai baht, the Bank of Thailand reduced the limit on the outstanding balance of non-resident Baht Accounts (NRBA) and non-resident Baht Account for Securities (NRBS) from 300 million baht per non-resident to 200 million, effective 22nd July 2019. The Bank has also increased reporting requirements for non-resident holdings of debt securities issued in Thailand.

The Thailand Securities Depository (TSD) and Thailand Clearing House (TCH) are meanwhile developing a new infrastructure for straight through processing of over the counter settlement. The migration will focus on SWIFT users and cover over-the-counter bond settlement, corporate actions and pre-settlement matching with a tentative live date of 2022. The TSD is also moving towards an E-Proxy process to reduce physical document handling.

The Thai market is seen by respondents to the GC survey as broadly efficient with most collective category scores in a narrow range in the mid-fives. The market exceeds the global benchmarks in three quarters of service categories. Where it falls short, it is by a statistically minimal amount.

Bangkok Bank

Bangkok Bank did not receive enough responses for a solo rating in 2018. This year, however, it has recorded an impressive set of scores. Account management, asset safety, relationship management and regulation and compliance all score above 6.00. The bank surpasses both market and global averages in 10 service areas, falling short in two: asset servicing and risk management.

The bank itself says its securities services department is

working in line with the overall strategic position of the bank to encourage digitalisation, regionalisation and urbanisation. For the custody business, it is seeking to replace manual operational processes with robotics technology where possible. It is also in the process of upgrading to a windows-based custody system that covers fund administration services.

Bangkok Bank claims an 11% share of the market for inbound institutional custody, processing an average of 41,271 transactions a month over the past year. Client comments are few, though one large global custodian describes the client service it receives as “good”.

Deutsche Bank

As with 2018, Deutsche Bank’s results for its services in the Thai market fail to excite. Seven of the 12 categories languish in merely ‘satisfactory’ territory, suggesting that while clients are not exactly agitated, neither are they enthused. The relative exceptions, where Deutsche Bank exceeds market and global benchmarks, are cash management and FX, an impressive 6.30 for liquidity management and 5.86 for pricing; at least clients do not feel they are overpaying.

Standard Chartered Bank

The bank’s results are largely up on 2018 with nine categories rated “very good” (6.00-6.99) compared to none last year. Its highest scoring category is regulation and compliance at 6.35. In this regard, says one client, they are quick to pass on any information about regulatory developments as soon as they receive it.

“Keep up the good work and continue to maintain a good relationship,” one Hong Kong-based manager exhorts.

WEIGHTED AVERAGE SCORES

	Bangkok Bank	Deutsche Bank	Standard Chartered	Country Score	Global Score
Percentage of responses	16%	16%	40%		
Account management	6.12	4.34	5.96	5.36	5.27
Asset safety	6.18	5.30	6.02	5.47	5.61
Asset servicing	4.31	4.37	6.07	5.57	5.63
Cash management and FX	5.95	5.67	6.03	5.64	5.36
Client service	5.83	4.88	6.08	5.61	5.49
Innovation	n/a	4.72	6.12	5.27	5.14
Liquidity management	n/a	6.30	5.98	5.59	5.55
Pricing	5.48	5.86	6.04	5.04	4.86
Regulation and compliance	6.62	4.45	6.35	5.57	5.60
Relationship management	6.08	4.38	5.97	5.29	5.14
Risk management	5.25	4.78	6.05	5.78	5.60
Technology	n/a	5.23	6.26	5.77	5.61
Total	5.76	5.02	6.08	5.46	5.38

Turkey

Earlier this year Takasbank, the Turkish CSD, informed market participants that as of April 15th, 2019, the settlement of Government Debt Securities and Lease Certificates denominated in foreign currency and issued in Turkey would be carried out DvP in their original currency at Takasbank through its BISTECH system.

The following month, the Turkish Central Bank (CBRT) launched a Lira-for-Gold SWAP Market in May to increase the efficiency of liquidity management in line with its monetary policy.

Despite a large number of potential providers, their collective category scores do not point to any major strong points or, indeed, weaknesses. Although the market only surpasses the global average in three areas – account management, relationship management and cash management and FX – the bulk of its scores are in ‘good’ range (5.00-5.99) with only two – innovation and liquidity management – falling ever so slightly below that.

BNP Paribas Securities Services

Last year, the BNP Paribas/TEB Securities strategic partnership produced a very positive set of results though slightly down on the previous year. This pattern is again repeated with scores up in five categories and down a little in seven.

Only one score gives any cause for concern and that is pricing. At 3.98, it suggests that clients consider the provider to be more expensive than warranted. Nevertheless, it receives several plaudits from clients. “TEB is very client oriented and the team is very professional,” says one European bank. Client service shows interest in the evolution of our activity and any proposal to serve our business better.” Another major client refers to “great level of service and great flexibility” with “excellent service, tailor-made to our needs.” One asset manager describes the cus-

tomian as “very much a service-focused provider” with “positive and clear communication.”

Deutsche Bank

Turkey is one of Deutsche Bank’s highest scoring markets this year and records measurable improvements over last year’s results. Ten categories are in ‘good’ range with two – technology and cash management and FX – rated ‘very good’ (6.00-6.99). Scores exceed average market and global levels in all areas apart from asset safety and risk management. “Very cooperative and helpful,” says one European bank.

At an individual question level, the bank is seen as substantially above average for its responsiveness to the impact of cost savings on pricing and for the stability of its technology platform during upgrades and change programmes. Its highest scores are 6.65 for the transparency of fees and bid-offer spreads in the cash markets and for the perceived security of title offered by account structures. While the bank scores a much lower mark for the likely ability to retrieve such assets rapidly in the event of a crisis, this is more a reflection on the market than the individual provider.

The bank’s Turkish operation has acquired the institutional sub-custody business of Garanti Bank, reinforcing its presence in the Turkish market as a custody and securities clearing provider.

Other

Other banks recording responses for the Turkish market include Citi and Turkiye Is Bankasi, to which one European global custodian ascribes “very good client services.” While scores for both banks are respectable, they do not provide sufficient data for robust analysis.

WEIGHTED AVERAGE SCORES

	BNP Paribas Securities Services	Deutsche Bank	Country Score	Global Score
Percentage of responses	46%	27%		
Account management	5.17	5.89	5.32	5.27
Asset safety	5.92	5.52	5.57	5.61
Asset servicing	5.38	5.81	5.47	5.63
Cash management and FX	5.37	6.08	5.55	5.36
Client service	5.20	5.60	5.04	5.49
Innovation	4.76	5.54	4.98	5.14
Liquidity management	4.64	6.10	4.98	5.55
Pricing	3.98	5.21	4.35	4.86
Regulation and compliance	5.09	5.84	5.35	5.60
Relationship management	5.17	5.70	5.26	5.14
Risk management	6.06	5.09	5.46	5.60
Technology	4.43	6.15	5.12	5.61
Total	5.10	5.71	5.18	5.38

UAE

The Dubai Financial Market (DFM) and Abu Dhabi Exchange (ADX) have issued procedures with regard to the implementation of multiple investor numbers (NINs). Existing investors with a direct NIN that is not linked to any UAE custodian will be able to transfer a portion of their UAE equity portfolio to a local custodian by applying for another NIN. The application for the additional NIN will be initiated by the local custodian. An existing investor, with a NIN under a local custodian, but who, for contingency or concentration risk mitigation, wants to open a new NIN with a different local custodian, may apply to do so through the local custodian.

Although not the highest volume market in the emerging market survey, the post-trade processing landscape in the UAE offers a decent choice of providers with responses being received or five banks, of which three receive individual assessment.

First Abu Dhabi Bank

First Abu Dhabi Bank (FAD) processes between 400 and 800 transactions a month for its foreign institutional clientele. Its respondents have been more generous to the bank this year than last with nine categories now rated as ‘very good’ (6.00-6.99) and one, pricing, perhaps for the first time in the history of the GC survey, receiving a perfect 7.00. All category scores are above both market and global averages apart from liquidity management which comes close.

Client comments about various aspects of the service portfolio are overwhelmingly positive. “Account management is perfect,” says one client. “Relationship management is outstanding,” says another. “Our future relationship with this service provider is in excellent shape,” confirms another.

In terms of recent changes to the service offering, FAD’s score

for technology of 6.22 possibly reflects the implementation of an operations platform with a fully integrated client technology portal. The platform provides clients with timely investment data through user-driven tools and graphical insights across their entire investment portfolios.

FAB Securities Services has also made several senior executive hires in recent months, including a head of client management. Three new services have been introduced by the bank: prime custody; cross-border contractual settlement / income; and tri-party collateral services. FAB has also been an advocate for the multiple NIN structure outlined above.

HSBC

“Always supportive when approached,” says one European custodian client of HSBC. The comment suggests that the UAE market is not always top of mind for institutional clients with global portfolios. HSBC is more or less representative of the market as a whole, with half of its client scores surpassing the market average and five undershooting. In neither direction, however, is the difference sufficient to draw attention to.

Standard Chartered

Improving slightly on last year’s impressive scores, Standard Chartered’s results have risen in seven categories by 1% and 11% and fallen in five by between 6% and 17%. None the bank’s scores are rated below ‘good’, with the lowest being 5.09 for risk management. On the plus side, its score for account management is up 10’5 to a very strong 6.46 – almost 20% above the market average.

WEIGHTED AVERAGE SCORES

	First Abu Dhabi Bank	HSBC	Standard Chartered	Country Score	Global Score
Percentage of responses	28%	20%	24%		
Account management	6.28	5.24	6.46	5.45	5.27
Asset safety	6.50	5.54	6.01	5.49	5.61
Asset servicing	6.89	5.78	5.42	5.64	5.63
Cash management and FX	6.60	5.53	6.00	5.64	5.36
Client service	6.42	5.70	5.20	5.66	5.49
Innovation	6.90	4.97	5.92	5.36	5.14
Liquidity management	5.51	6.18	6.33	6.12	5.55
Pricing	7.00	4.39	5.87	4.93	4.86
Regulation and compliance	6.80	5.49	5.49	5.41	5.60
Relationship management	6.03	4.56	5.35	4.92	5.14
Risk management	5.92	5.47	5.09	5.30	5.60
Technology	6.22	5.45	6.31	5.54	5.61
Total	6.42	5.36	5.79	5.40	5.38

Chile

While Chile has long been a market of interest for foreign investors, its average scores at a category level do not stack up well against global comparisons. Of particular note are weak results for both relationship and account management and, probably in light of that, pricing.

These results also do not tally with the country's ambition to serve as a regional financial centre, with recently introduced legislation designed to facilitate foreign participation in the Chilean securities market and reduce bureaucratic and tax disincentives.

Although responses were received for both Citi and Santander Securities Services, which handles some 2,500 transactions a month for foreign clients, neither accumulated sufficient for a comprehensive analysis. That said, Santander manages to exceed the global average in seven out of the 12 service categories.

Client comments that might add colour to the numerical scores are sparse in this market, though one client upbraids Citi for "Slow answers and account opening processing."

At an individual question level, the greatest negative divergence from the global average comes in areas of account management and cash management and FX where regulatory reform might help. These concern the lack of simplicity in opening and closing accounts and the lack of transparency in fees and bid-offer spreads in foreign exchange markets.

By contrast, there are a few areas where Chile comes out well against global norms. These include KYC, AML and sanctions-screening services and the stability of technology platforms, particularly during upgrades.

WEIGHTED AVERAGE SCORES

	Country Score	Global Score
Account management	3.87	5.27
Asset safety	4.94	5.61
Asset servicing	5.17	5.63
Cash management and FX	4.03	5.36
Client service	5.06	5.49
Innovation	3.97	5.14
Liquidity management	4.96	5.55
Pricing	3.52	4.86
Regulation and compliance	4.93	5.60
Relationship management	3.44	5.14
Risk management	4.90	5.60
Technology	5.35	5.61
Total	4.47	5.38

Colombia

WEIGHTED AVERAGE SCORES

	Country Score	Global Score
Account management	4.10	5.27
Asset safety	5.08	5.61
Asset servicing	5.32	5.63
Cash management and FX	3.79	5.36
Client service	5.21	5.49
Innovation	4.18	5.14
Liquidity management	4.85	5.55
Pricing	3.83	4.86
Regulation and compliance	5.16	5.60
Relationship management	3.77	5.14
Risk management	4.94	5.60
Technology	5.48	5.61
Total	4.65	5.38

Colombia's tax reforms at the end of 2018 introduced changes applicable to non-resident investors. These included a rise in the rate of withholding tax on equities from 5% to 7.5% and a reduction in withholding tax on fixed Income instruments from 14% to 5%.

New regulations on securities lending have also opened the possibility of introducing the practice in the OTC market. The change allows local custodians to act as agent lenders and allows local pension funds and insurance companies to engage in OTC lending.

Clearing and settlement in the equities market is due to move to the CCP in the second quarter of 2020. This will herald the introduction of partial settlement, net settlement at account level, a buy-in process performed by the CCP for failed trades as well as segregated account structures at both omnibus and individual level. A move from T+3 to T+2 is also planned in the same timeframe.

The local CSD (Deceval) is also planning to go live with TCS BaNCS, its new core system, in Q3 2020.

These reforms may help the market rise above its current aggregate scores which in all categories are below global levels.

While responses were received for both BNP Paribas and Citi as service providers in the Colombian market, neither achieved sufficient for an individual write up. Nevertheless, the former stands out for its account management prowess compared to many of its global peers. In Citi's case, its technology provides its highest category score.

Pakistan

Pakistan is not a high-volume market from a foreign investment perspective and overall perception of service levels appears adequate, if a little below global averages. At a category level, however, client service, liquidity management and technology do exceed global scores. While responses were also received for Citi and Deutsche Bank, only Standard Chartered recorded sufficient for an individual write up.

Standard Chartered

Standard Chartered exceeds the global average in seven categories and the market average in nine. Some of the related client comments make clear that any frustrations are due to the market environment rather than the specific service received.

With regard to account management, for example, one European custodian notes that, “Although the process in Pakistan is time consuming, this is not caused by SC as a provider. They are helpful.” The same client adds that when it comes to relationship management, the bank “is willing to make time for us, despite the low volume. We appreciate that.”

Areas of differentiation at a question level include confidence that assets held on behalf of clients are sufficiently segregated to ensure title and an appreciation of full disclosure of FX costs. The bank is also seen as particularly proficient at explaining the impact of new regulations on client business and operations. Not surprisingly, Standard Chartered’s lowest scores are for pricing, though such a situation is more common than not across all Global Custodian surveys. Most clients, it seems are not keen to signal satisfaction in this area.

WEIGHTED AVERAGE SCORES

	Standard Chartered Bank	Country Score	Global Score
Percentage of responses	67%		
Account management	5.55	4.98	5.27
Asset safety	5.41	5.06	5.61
Asset servicing	5.57	5.63	5.63
Cash management and FX	5.44	4.39	5.36
Client service	5.47	5.68	5.49
Innovation	5.67	4.88	5.14
Liquidity management	5.45	5.90	5.55
Pricing	5.14	4.52	4.86
Regulation and compliance	6.22	5.52	5.60
Relationship management	5.12	4.81	5.14
Risk management	5.71	5.18	5.60
Technology	5.99	5.86	5.61
Total	5.56	5.18	5.38

Peru

WEIGHTED AVERAGE SCORES

	Country Score	Global Score
Account management	4.31	5.27
Asset safety	4.98	5.61
Asset servicing	5.39	5.63
Cash management and FX	4.66	5.36
Client service	5.67	5.49
Innovation	4.70	5.14
Liquidity management	5.57	5.55
Pricing	3.71	4.86
Regulation and compliance	5.55	5.60
Relationship management	3.52	5.14
Risk management	5.28	5.60
Technology	5.67	5.61
Total	4.82	5.38

Only a small number of respondents chose to rate their Peruvian service provider with the result that no individual sub-custodian received a formal rating, though there is sufficient data to comment on the market as a whole. That said, the spread of responses covering Citi, Banco de Credito del Peru and HSBC suggests that there is sufficient competition at a provider level for investors not to feel too constrained in their choice.

Taken as a whole, two key metrics indicate that the Peruvian market has work to do. A collective score of 3.71 for pricing is below satisfactory with investors and network managers considering it relatively expensive. Similarly, the result for relationship management, 3.52, is over 30% below the global norm. Somehow local providers are seen as insufficiently curious about the future needs of clients and less than enthusiastic about showing their commitment to working with their foreign clients.

The news is not all bad. Providers as a whole score well (and above the market average) for informing their clients about their collateral positions and for generally performing to expected SLAs and KPIs.

Citi receives a few more responses than its peers. These are relatively lacklustre and one of its clients laments the slow response to queries and account opening processing, though appears to blame the hub rather than the local operation per se. With more to go on in 2020, we hope to provide a more in-depth review of this market and its service providers.

Saudi Arabia

Saudi Arabia has been on a path of opening its doors to foreign investors for a number of years, giving direct access to domestically traded stocks and securities. The Capital Market Authority (CMA), the Saudi Arabian regulator, began liberalising the market in June 2015, before further measures were introduced in the first half of 2017. The market's inclusion in the MSCI Emerging Markets Index last year was also a major milestone in encouraging foreign investment.

To achieve such inclusion, the Kingdom has made a number of improvements to its capital markets, including passing rules easing foreign institutional investment, increasing the number of qualified foreign investors, and moving to a T+2 settlement cycle.

According to MSCI at the time of the announcement, "International investors were impressed by the speed of change in the accessibility of the Saudi Arabian equity market and the level of commitment that the CMA and the Saudi Stock Exchange (Tadawul) have demonstrated."

The latest sub-custodian to spot opportunities in the market is Citi, which recently expanded its direct custody and clearing (DCC) services to the Saudi Kingdom.

HSBC

HSBC dominates the response pool for the Saudi market, accounting for some 57% of total responses. It is the only provider to receive sufficient ratings for individual consideration. It records a promising set of scores, exceeding the global average in nine of the 12 service categories and the local market average in 10. All scores are comfortably in 'good' range with only relationship management falling slightly short.

WEIGHTED AVERAGE SCORES

	HSBC	Country Score	Global Score
Percentage of responses	57%		
Account management	5.23	4.90	5.27
Asset safety	5.85	5.35	5.61
Asset servicing	5.64	5.17	5.63
Cash management and FX	5.57	5.10	5.36
Client service	5.22	5.29	5.49
Innovation	5.32	5.19	5.14
Liquidity management	5.76	5.76	5.55
Pricing	5.27	5.07	4.86
Regulation and compliance	5.88	5.45	5.60
Relationship management	4.96	4.89	5.14
Risk management	5.88	5.36	5.60
Technology	5.84	5.44	5.61
Total	5.53	5.22	5.38

South Africa

WEIGHTED AVERAGE SCORES

	RMB Custody	Country Score	Global Score
Percentage of responses	28%		
Account management	6.35	5.52	5.27
Asset safety	5.47	5.45	5.61
Asset servicing	5.69	5.29	5.63
Cash management and FX	5.79	5.01	5.36
Client service	6.20	4.96	5.49
Innovation	5.14	4.85	5.14
Liquidity management	5.68	4.79	5.55
Pricing	5.21	4.33	4.86
Regulation and compliance	5.48	5.22	5.60
Relationship management	5.99	5.09	5.14
Risk management	5.21	5.61	5.60
Technology	5.81	4.81	5.61
Total	5.67	5.05	5.38

The passing of the Financial Sector Regulation (FSR) Act in late 2017 was the culmination of collaboration on financial sector reform the South African central bank and financial regulators, marked an important milestone in financial market reform.

At a market level, the ITaC project [Integrated trading and clearing] is a multi-year programme of work focused on the introduction of an integrated solution for the JSE's trading and clearing services.

Responses were spread across six custody providers, though the decision of some larger global custodians not to rate the South African market this year meant that only RMB Custody qualified for an individual assessment. Taken collectively, and a robust market infrastructure notwithstanding, South African custody providers fall just shy of global averages in all categories with the exception of account management and, importantly, risk management.

RMB Custody

RMB has exceeded the local market benchmark in nearly all categories, the exception being risk management. All its scores are comfortably in 'good' territory (5.00-5.99) with client service (6.20) and account management (6.35) seen as 'very good'. At an individual question level, RMB pulls away from the pack in a number of respects where the market as a whole is considered weak. These include the passing on of cost savings where possible and the provision of dynamic and actionable information to minimise liquidity requirements.

Other

While data from other providers is lacking, it is of interest that Nedbank has created a custody academy, allowing staff to gain a professional qualification and supporting a strong sustainable career path in custodial services.