

Expanding in Asia

The region could soon account for nearly a third of the flows in Clearstream's investment funds division. The company is expanding across the continent, with collateral management and other value-added services complementing its settlement and custody activities, explains Philippe Seyll, head of investment fund services and executive board member

ASIA IS WHERE the growth is. This statement is as true for an international central securities depository (ICSD) such as Clearstream as it is for an asset or wealth manager. As the rapidly developing, and highly diverse, countries of Asia generate an increasing amount of wealth, their citizens require an ever more developed set of financial services and financial infrastructure.

Clearstream has been present in Asia for more than 20 years and has helped the funds market develop by building the infrastructure needed. Philippe Seyll, head of investment fund services, is confident that the region will continue to grow in importance. He predicts that the Asian business of Clearstream's investment funds division will grow by half in the next three years to account for 30% of the division, up from 20% today.

But which markets are the most important?

"Singapore is a key market," says Seyll. "It is a big private banking market and, historically, we have tended to do well in places where private banking is dominant."

Clearstream has become so established in Singapore that its service is now an integral part of the financial framework, a result that has been achieved



with the regulator's blessing.

"In Singapore, Clearstream has become the quasi-market infrastructure," he says. "The regulator favours this."

It testifies to the development of this market that Singapore was the first country in Asia to sign a deal with Clearstream to develop a collateral management service. In September, Clearstream and the Singapore Exchange, SGX, agreed

to explore the launch of a service to help customers more efficiently use assets held at the SGX securities depository, CDP. The project has pan-Asian ambitions.

Under the agreement, SGX will employ Clearstream's collateral management infrastructure, the Global Liquidity Hub, and intends to develop its collateral management outsourcing service, Liquidity Hub GO. The Liquidity

EXPOSURE:
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Hub GO service is already live with Clearstream's CSD partners, Brazilian Cetip, ASX Australia, Iberclear in Spain and Strate in South Africa.

GLOBAL EXPOSURE

Clearstream has also made moves to bring its collateral management functions to other Asian markets. In April, the firm signed a deal with Standard Chartered to collaborate on developing a customised collateral management solution for mutual clients. The Liquidity Hub Connect collateral management service will allow Standard Chartered customers to consolidate their collateral holdings through Clearstream's Global Liquidity Hub and cover their global exposures from a single collateral pool.

The collaboration should extend Clearstream's liquidity services into Asia, where Standard Chartered has a large network. The two firms have collaborated in Asia before. In 2011, Clearstream signed a deal to appoint Standard Chartered Bank as a new cash correspondent bank in Hong Kong, for Hong Kong dollars and the Chinese renminbi held outside mainland China.

Hong Kong has a special significance for Clearstream as it was the first Asian market where Clearstream established an office, back in 1990. The future growth of Hong Kong's fund's market is looking more promising due to the mutual recognition of Hong Kong funds in mainland China which can potentially open up a bigger market for Clearstream.

Taiwan is another market

where Clearstream has made headway in recent years. In 2012, Clearstream's parent company, Deutsche Boerse, announced an agreement with GreTai Securities Market (GTSM) to explore co-operation in trading and listing.

At the time, Gordon Shuh Chen, the chairman of GTSM, said he wanted to explore a diversity of products and services that would benefit both partners.

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"Taiwan is an important market," says Seyll. "There is growth there, and it is a market we are developing in future."

Clearstream is also hoping to build its business in Australia and Seyll has ambitions to bring Australian funds onto the Clearstream network, increasing the total number from its current level of about 120,000. Australia is a substantially domestic funds market with a lot of flow and room for greater automation. Seyll is convinced that the success of Clearstream's funds platform relies on giving clients access to as many funds as possible.

"Australia is a large institutional market, very concentrated," he says. "It is one we are looking at very closely."

Clearstream has been active elsewhere in Asia too. Last year, the company launched a settlement link to allow institutional investors to access securities in the Philippines. The

development allowed Clearstream customers to build post-trade solutions for the Philippine market using Clearstream as their sole point of access.

Asia is exciting for Clearstream, and other financial services companies, because it is a region that is developing fast. However, the needs of clients in Asian markets do not differ significantly from those elsewhere.

Clients are looking to Clearstream to realise efficiency gains through automation, by providing the structure to allow delivery-versus-payment settlement, for instance. Clearstream can also play a role in helping clients move away from phone calls and faxes to more efficient, electronic means of processing fund transactions.

CHOICE

Funds can play a useful role for investors in Asia, says Seyll, because they can provide exposure to other markets in a cost effective way. The concept of some form of Asian fund passport emerging in the near future opens up a greater choice of cross border investment opportunities.

"Funds are also a good way to get access to multiple currencies," he says. "This is one of many reasons we expect fund flows to increase in Asia."

However, Seyll sees Clearstream as providing something more than just efficiency and automation. He says clients are increasingly looking to the company to bolster the security of the financial infrastructure, a task at which he and his colleagues have been working with increased effort in recent years.