

Clearstream open for business in Australia

CLEARSTREAM EXTENDED ITS INVESTMENT FUND SERVICES INTO AUSTRALIA DURING 2019 WITH THE ACQUISITION OF SYDNEY-BASED MANAGED FUND CUSTODIAN AUSMAQ LTD. AS THEY PUSH THROUGH THE FINAL STAGES OF THE DEAL INTEGRATION, CLEARSTREAM BANKING SA'S CEO, PHILIPPE SEYLL, AND CLEARSTREAM AUSTRALIA CEO, RAVI SUBRAMANIAM, HIGHLIGHT HOW THIS WILL BENEFIT THE AUSTRALIAN FUNDS MARKET AND ITS CUSTOMERS.

CLOSE TO 12 MONTHS after

Clearstream's purchase of Ausmaq was approved by financial regulators, fund investors who sign up to Clearstream's global Vestima platform can soon expect to benefit from greater product choice and improved operational efficiency in the Australian market – objectives that were fundamental to the deal proposal when Clearstream approached National Australia Bank to buy this business unit.

An important landmark on 1 June was the launch of Clearstream Australia Ltd as the new operating company and the decommissioning of the Ausmaq Ltd brand.

Equally noteworthy from a strategic standpoint will be the introduction in Australia of Clearstream's global Vestima platform in Q4 2020.

Charged with implementing these changes on the ground, Ravi Subramaniam has been at the helm of the Sydney-based funds operation since 2013 when he took over as chief executive of the erstwhile Ausmaq Ltd. Prior to this, he held senior positions in London and Melbourne.

Under his stewardship, Ausmaq's managed fund business has more than trebled in size to near €37 billion assets under administration at the time of writing, fuelled by the expansion of Australia's retail wrap platform sector and accumulation of self-managed pension plan assets on the Ausmaq platform.

"Ausmaq's funds under management from supporting retail distribution



"THE ACQUISITION OPENS THE DOOR TO SERVICE A WIDER COMMUNITY OF CLIENT GROUPS."

Ravi Subramaniam

platforms, or 'wrap platforms', has been growing on average at 17% per annum over the last three years and this will continue to be a focal point for expansion through the addition of new retail wrap platform and wealth management clients," he says. This business is primarily attributable to a combination of managed funds and term deposit custody and administration, along with fund data services.

"However, the acquisition by Clearstream opens the door to service a wider community of client groups,

particularly global custodian banks servicing large Australian superannuation funds and other institutional investors," says Subramaniam.

Linking globally

In driving the acquisition, international players active in the Australian market have approached Clearstream to provide the same infrastructure service in Australia that it provides internationally, and to handle the link from the Australian funds market back into global markets.

"With release of the Clearstream Australia legal entity, the message is that it is now open for business to support other global fund intermediaries that are seeking class-leading capability and efficiency in the Australian market," comments Subramaniam.

Australia is the fourth-largest fund market globally and the largest fund domicile in the Asia-Pacific region, with close to €1.75 trillion in assets under management. This is driven particularly by strong flows from Australia's government-mandated pension ('superannuation') schemes – where, by law, an employer must pay a minimum 9.5% of an employee's standard earnings into a superannuation account.

Although these fund flows are heavily concentrated in domestic funds, there are signals that investors are eager to welcome wider product choice and opportunities for investment diversification. "Ausmaq offers access to more than 1,500 Australia-domiciled



“AS AN AA-RATED BANK, CLEARSTREAM IS WELL POSITIONED TO DELIVER STABILITY, INNOVATION AND GLOBAL DISTRIBUTION SUPPORT TO THE INVESTMENT FUNDS INDUSTRY.”

Philippe Seyll

funds on our platform, but we did not previously provide our clients with access to international funds,” says Subramaniam. From Q4 2020 onwards, clients who sign up to Clearstream’s global Vestima platform will have access to around 190,000 investment funds supported on Vestima, including a range of alternative investments and internationally-listed managed funds.

Process automation

Global fund intermediaries are pushing for Clearstream to deliver long overdue improvements in operational efficiency within Australia’s managed fund marketplace – an environment where, Subramaniam notes, faxed orders remain commonplace and lack of standardisation

dictates that settlement confirmation messages can arrive in multiple formats.

“Currently the Australian managed fund sector is fragmented from an operational standpoint with no single participant offering an end-to-end solution for fund safekeeping, order routing, managing reference data and reporting,” says Subramaniam. “Clearstream Australia will deliver a major improvement in efficiency and standardisation, applying common standards for the Central Facility for Funds (CFF) that Clearstream clients employ globally for investment funds.”

For Philippe Seyll, this expansion into Australia’s domestic funds represents something of an adjustment in strategy for Clearstream’s investment fund services division, which has traditionally targeted cross-border third-party business. “As Vestima’s business has grown, we now have the scale also to target distribution support in domestic markets when the business case justifies it,” says Seyll. Australia is a logical candidate, given the size of its funds market and the significant concentration within the fund intermediary segment, with four transfer agents servicing more than 50% of fund transaction flow.

This CFF model offers a standardised and automated settlement framework for investment funds that has been applied for all transfer agents (TAs) in Luxembourg. This provides a model that will deliver standardised and automated processing of investment funds transactions, using ISO 20022 standard SWIFT messaging, within Australia’s domestic market and for cross-border fund transactions.

Looking more broadly, Seyll notes that the expectations of fund services customers have extended beyond order routing and fund execution to a wider portfolio of distribution support services. This includes processing of rebates, access to fund research, communication of regulatory compliance and fund sales data, along with portfolio reporting tools.

Clearstream has strengthened its service portfolio with the purchase of Swisscanto Fund Centre London (to create Clearstream Fund Desk) and the acquisition of a majority stake in UBS’s Fondcenter to establish a business-to-business fund distribution platform with over €230 billion in AUA.

The investment funds division, with gross revenues of close to €1 billion annually, contributes approximately 20% of Clearstream’s gross revenue and roughly 9% of those generated by Deutsche Börse Group. “These revenue numbers illustrate the importance of investment fund services to the strategic direction of Clearstream and to Deutsche Börse Group as the parent company,” says Seyll. “As an AA-rated bank, Clearstream is well positioned to deliver stability, innovation and global distribution support to the investment funds industry.”

No doubt this is an interesting time to be stepping into the Australian managed funds market. The recommendations of the Australian Royal Commission on Misconduct in the Banking, Superannuation and Financial Services Industry report has prompted some large banking groups to rethink their position in the wealth management space. This represents a phase of redirection for Australian investment funds and one that is reinforced by the gains in operational efficiency and product choice that Clearstream can bring to the market.

For Clearstream Australia, as it moves into new offices on Sydney’s Bligh Street, this also represents a time of new direction and opportunity. By integrating its activities onto Clearstream’s global funds network, fund services customers will gain from automated access to the Australian funds market, while extending international reach, operational efficiency and wider product choice to Australian custodian banks, wrap platforms and wealth management companies.