

Clearstream Vestima

Newsletter

Integrated solution for
trade execution and custody
across all fund types



Clearstream has successfully integrated the hedge fund processing application acquired from Citco, and is now able to service its customers' entire fund portfolio from mutual funds and exchange-traded funds to hedge funds from a single platform.

One year after the acquisition, the Citco application for hedge fund processing has now been integrated. The ultimate aim is to develop Clearstream's fund processing platform Vestima into a one-stop shop for all types of funds, ranging from mutual to ETFs and hedge funds.

Regulators are pushing for more efficient fund processing and custody solutions to ensure the highest security for clients' fund assets. Clearstream's fund custody offering and its ability to process the entire client fund portfolio meets these requirements by ensuring high levels of automation and asset security.

Gateway for LU funds to Germany and T2S

Direct access to German domestic settlement

German investors hold large portfolios of LU funds in Clearstream's Central Securities Depository (CSD) in Germany. To reach this key investor base, TAs previously required a specific setup and relied on the intervention of a German local agent for marking up and down the global certificate held at the German CSD and for lodging positions in the Luxembourg fund register.

The new direct link launched in June 2015 between Vestima's mutual fund settlement facility and the German CSD has significantly streamlined the issuance process as the fund shares can now be held in an omnibus nominee account owned by

Clearstream directly in the TA's register. The fund shares issued within this new setup benefit from centralised cash flow processing, security reconciliation and connectivity.

TAs in Luxembourg can issue Luxembourg-domiciled funds directly in the German CSD via their existing Vestima fund issuance account in LuxCSD or Clearstream's ICSD.

German fund distributors can use Vestima's order routing service to direct fund orders straight through to Luxembourg-based TAs. The related settlement instructions are directly generated in Vestima.



Easy access to the T2S network of CSDs

Fund promoters or TAs of investment funds can choose LuxCSD or Clearstream's ICSD as their single gateway to the entire network of CSDs participating in TARGET2-Securities (T2S) when Clearstream and LuxCSD join the settlement platform.

With LuxCSD, TAs familiar with Vestima's mutual fund settlement facility will benefit from safe and efficient issuance of investment funds into T2S based on this well-established setup.

LuxCSD not only enables fund issuers to connect directly to a Luxembourg-based CSD participating in T2S, they also benefit from central bank money settlement at the same service level as Clearstream's ICSD.

Alternatively, if commercial bank money settlement is a preferred option, fund issuers can simply rely on their existing connectivity with Clearstream's ICSD. With this model, customers link to T2S via their existing Vestima settlement account in Clearstream's ICSD.

Latest initiatives

New registrar reporting supports AIFMD compliance

AIFMD is reshaping the investment fund industry by reinforcing the investor protection duties and liabilities of depositary banks. Clearstream's new Registrar Monitoring Report (RMR) provides due diligence information on transfer agents, registrars and processing agents registering ownership, to help depositary banks assess the involved risks in compliance with AIFMD. Depositary banks benefit from more transparency on where

assets are held by Clearstream and are provided with key information on Clearstream's network of over 1,000 transfer agents.

The RMR complements our Domestic Market Monitoring Report (DMMR) which provides information on sub-custodians and market infrastructures other than agents, registrars and processing agents.

Boosting automation of Hedge Fund messaging

Clearstream actively participates in the Global Alternative Investment Automation (GAIA) industry group to create a new operational messaging framework for Alternative Investment Funds (AIFs).

GAIA provides market participants with a single set of message usage definitions for all types of fund transactions and will boost the industry-wide shift from fax to SWIFT messaging. Customers will be able to use the same ISO 20022 messaging formats they use today for mutual

fund messaging. Clearstream's participation in the development of this new operational messaging framework is part of our longstanding standardisation and automation efforts for the investment fund industry.

Standardisation provides efficiency and scalability, which are critical to support broader accessibility and the anticipated growth in the alternatives markets. With the adoption of the new AIF messaging framework, Clearstream will pass on the resulting efficiencies and cost savings to its clients.



Flexible ETF solutions tailored to your needs

Trading ETFs like mutual funds

As exchange-traded funds (ETFs) are enjoying growing popularity, investors are increasingly seeking to combine ETFs and mutual funds in a single portfolio. Vestima meets these needs as it offers ETF trading on an

OTC/infrastructure basis: it enables investors to trade ETFs directly with the appointed Authorised Participant or the Transfer Agent where applicable.

Maximise issuance and settlement efficiency for ETFs

In Europe, ETFs are listed on multiple exchanges in different regions. This makes realignments necessary at the register for cross-border trading of ETFs when the CSDs are separately

connected with the registrar of the fund. To avoid these realignments, it is most efficient to issue the fund through a single CSD or through an ICSD.

CSD Issuance solution

Clearstream offers issuance services via its CSD in Germany which will be fully compatible with the European Central Bank's single settlement platform TARGET2-Securities (T2S). This means that the German CSD

is fully connected to other CSDs and ICSDs, making it ideal for investors choosing the CSD issuance solution.

ICSD Issuance solution

Clearstream's international infrastructure (ICSD) is also well placed for the issuance and settlement of multi-listed ETFs. Under this solution, both settlement and distribution take place in Clearstream's ICSD, resulting in simplified inventory management and cost-effective trading between different venues, including "Bridge" interoperability with Euroclear's ICSD.

Blackrock and Clearstream are cooperating on the issuance of ETFs in an international format that can be issued and settled via ICSDs rather than across multiple CSDs. A first set of 20 ETFs within iShares IV PLC was successfully migrated to the ICSD issuance model in September 2015.

ETFs as collateral

By issuing and settling ETFs at Clearstream, issuers facilitate investor access to the collateral management and securities lending services within Clearstream's Global Liquidity Hub. More and more ETF issuers are looking to Clearstream as their one-stop shop to cover all their ETF servicing needs,

including issuance, settlement and distribution, as well as their investors' needs ranging from asset servicing to collateral management and securities lending.

New clients on board

The new integrated order routing and custody solution has led to growing demand from banks and wealth managers to handle their clients' fund

portfolio. Clearstream welcomed 45 new clients, adding an extra of EUR 47 billion of hedge fund custody volume to Vestima.

Dave Berry

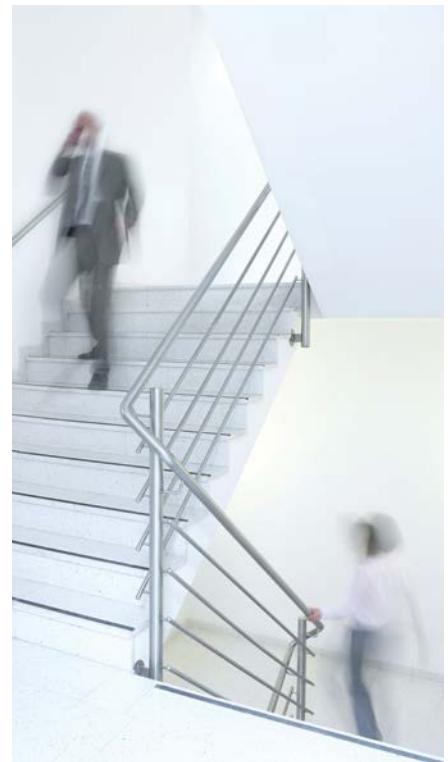
Head of Operations
at Brewin Dolphin

Dave Berry, Head of Operations at Brewin Dolphin, said: "The decision to use Clearstream was driven by our need to find a provider which not only offers the operational efficiencies we are looking for, but more importantly ensures the greatest safety of our clients' assets. Vestima's ability to handle a diverse fund portfolio was a further factor in our decision to work with Clearstream".

Toby Glaysher

Head of Northern Trust's
Global Fund Services business
in Europe, Middle East and Africa

Toby Glaysher, Head of Northern Trust's Global Fund Services business in Europe, Middle East and Africa, said: "The decision to outsource our mutual fund safekeeping and trade execution will result in greater efficiencies for both Northern Trust and our clients. Clearstream were an excellent fit for us in terms of their service, coverage, expertise and partnership approach."



Asia update



Vestima's one-stop shop solution enjoys growing popularity among Asia-based distributors thanks to its extensive coverage of offshore funds, including funds domiciled in Hong Kong and Singapore, as well as the full suite of alternative products.

The growing number of cooperations with local CSDs in Asia has extended Clearstream's global reach for processing cross-border fund transactions in the region.

Notably, the offshore fund linkage to the Korean Securities Depository went live in 2015. In addition, Clearstream is ready to facilitate fund flows under the Hong Kong – China Mutual Recognition for Funds scheme as part of our partnership with the Hong Kong Monetary Authority's Central Money Markets Unit (CMU) platform. This collaboration is a key milestone in Clearstream's Asia fund strategy as it grants foreign investors access to China-domiciled funds and vice versa.

Staff News

Harold Defays



Harold is in charge of the Product Management team in Luxembourg. Before joining Investment Fund Services in October 2015, Harold headed the Securities Lending product management team in Clearstream. Prior to that, he spent nine years in Fortis/BGL where he was in charge of Investment Funds Operations. Harold holds a Degree in Business Administration from the University of Liège and a Master Degree in Finance from HEC Liège.

Graciela Riego



Graciela is the Sales and Relationship Manager for Investment Fund Services, LATAM, Spain and Portugal. Before joining Clearstream, she spent 11 years with HSBC Securities Services Luxembourg where she gained expertise in mutual and investment funds. Prior to this, she was the Sales and Relationship Representative for Latin America at Euroclear based in São Paulo. Graciela has more than 25 years' experience in the banking and fund industry.

Fiona Storry



Fiona joined Clearstream in September 2015. In her role as Relationship Manager she is based in the London office, where she will be looking after the TA and Fund manager relationships. Prior to taking up this position she spent two years at Allianz Global Investors managing the UK outsourced relationships, which included the TAs, fund accountants, depository and custodians. Before that she spent five years at AXA Investment Managers.

Des Walshe



Des manages an operational team servicing European clients and is based in Cork, Ireland. He has over 17 years' experience in the banking and fund industry. Des began his career in London working with Allied Irish Bank (GB), Morgan Stanley and the London-based hedge fund RAB Capital. Before joining Citco in 2005, he worked in areas such as international settlements, equity trading desk cover, prime brokerage and fund portfolio operations. Des holds a degree in Economics from University College Cork.

Conferences and Events

14 January 2016	Vestima New Year's Cocktail, Luxembourg
3 March 2016	Vestima Consultative Committee, London
9 March 2016	Wealth Management Association Summit, London
16 March 2016	City of London Wealth Management Awards, London
17 March 2016	Vestima Consultative Committee, Luxembourg
18 - 21 April 2016	Fund Forum Asia, Hong Kong
6 - 9 June 2016	Fund Forum International, Berlin
22 June 2016	Clearstream Fund Summit, Brussels
6 July 2016	Goodacre Systems in The City Awards, London
6 October 2016	Goodacre Securities Industry Conference, London
1 December 2016	Funds Europe Awards Ceremony, London

Contact information

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